

THE MICHIGAN BEVERAGE CONTAINER AND 2003 FINAL REPORT

The Citizens' Agenda... An Action Plan to Improve Recycling and the Beverage Container Law

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THE MICHIGAN BEVERAGE CONTAINER AND RECYCLING TASK FORCE

2003 FINAL REPORT



The mission of the Michigan Beverage Container and Recycling Task Force is to review the state's current recycling programs and to evaluate the impact of Michigan's Beverage Container Law on statewide recycling, along with its effects on the consumer, business, and the environment.

The Michigan Beverage Container and Recycling Task Force would like to thank those who took the time out of their busy schedules to attend the nine public hearings held around the state. In addition, special recognition is due to the citizens who took the time to write to the members of the Task Force, providing important supplemental materials for the Task Force members to study. Without this public support and input from the people of Michigan, our job in assessing the needs of the state would have been made much more difficult.

The chosen method of gathering information for this report was to visit regions of the state and assess public opinion on Michigan's recycling policies and whether or not to make changes to the state's current Beverage Container Law. The response to our inquiry was overwhelming to say the least. The public testimony and ideas that are the essence of this report will help to shape recycling programs in Michigan for decades to come. The report that follows is dedicated to those good stewards of our state who are committed to making our state's recycling policies among the best in the nation.

Several examples of testimony stand out as being symbolic of this level of dedication and commitment. They are published below as our tribute to these citizens who make Michigan such a wonderful place to live, work, and recreate:

"Recycling, what a great thing . . . I feel that it's my responsibility and everyone's responsibility to recycle."

Michael L. Pratt — Private Citizen

"Michigan can be proud of its part in pioneering one of the most effective bottle bills in the nation. It was the best that could have been conceived and implemented at the time, and it has been a model to the nation."

David Llewellyn — Private Citizen

"Recycling matters. By its very nature it conserves natural resources. It saves massive quantities of energy. It reduces air and water pollution. It reduces greenhouse gasses. It creates jobs. It drives economic growth throughout the economy. It reduces litter."

Bryan Weinert, Ann Arbor — Private Citizen

"Our children need real life examples of the importance of conservation."

Scott Heinzman — Private Citizen

"Keeping the environment clean is everyone's responsibility and right to expect. We are totally in favor of keeping our environment clean and safe for current and future generations. The solution to this complicated and delicate condition is not easy."

John Schmidt — Executive Director, Independent Food Retailers Association

"This retired WWII vet thinks the 10-cent bottle deposit was one of the best things Michigan has ever done."

Fred Breuninger — Private Citizen

"The problem today is NOT that we are neglectful of the environment, as may have been the case in the 1970s. The problem is that the patchwork opportunities for recycling across our state are often too inconvenient or costly for customers, so they simply don't do it."

Michigan Recycling Partnership



The Beverage Container and Recycling Task Force would like to acknowledge the efforts of the following individuals and offices in the research, writing, editing, and compilation of this report:

BEN BODKIN AND TONY HENDON

Office of Senator Cameron Brown

Bob Wilson, Sarah Clement, Martha Cook, Matt Jolman, Begky Davis, Dorothy Fetter, Nangy Gehle

Senate Majority Policy Office

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Senate Majority Communications Office

Loanna Ammerman, Karen East (Director), Michael Campana, Jackie Leshkevich, Julie Gales, Tammye Barrett

Legislative Service Bureau, Science and Technology Division





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Improving Recycling in Michigan: A Goal for All Citizens

Commissioned by Senate Majority Leader Ken Sikkema in January of 2003 with the charge to present a formal report by September 2003, the Beverage Container and Recycling Task Force first established a methodology to accomplish its purpose. This included creating a task force name, a mission statement, and an agenda that set a time line and identified hearing site locations in order to achieve maximum geographic coverage of the state.

Creating a mission statement was critical to defining the purpose and guiding the course and direction of the Task Force. The Task Force mission statement reads as follows:

The mission of the Michigan Beverage Container and Recycling Task Force is to review the state's current recycling programs and to evaluate the impact of Michigan's Beverage Container Law on statewide recycling along with its effects on the consumer, business, and the environment.

The Task Force will make recommendations to the Legislature shaped largely by input received from Michigan citizens across the state. The Task Force will issue a report on possible ways to improve or expand Michigan's Beverage Container Law if needed and/or consider new approaches to encourage recycling.

From the border counties to mid-state Michigan to the Upper Peninsula, the Beverage Container and Recycling Task Force held nine hearings during the first half of 2003. While recycling was the umbrella topic, the focus of public input

more often than not centered on Michigan's 27-year-old Beverage Container Law, commonly called the bottle bill. A general interest in expanding Michigan's bottle bill was apparent from the first hearing. This public sentiment was met with an equally strong response from grocers, distributors, and the general public who expressed their real concerns about the unique public health concerns and economic burdens that Michigan's Beverage Container Law has created. With the related problems of litter and litter prevention, the scope of the Task Force encompassed issues of how best to change patterns of human behavior through education, stricter laws and greater enforcement, promoting incentives to expand industrial recycling, promoting local curbside recycling initiatives, lessening the cost burden on grocers, creating alternatives to current in-store redemption centers, and exploring revenue sources to fund enhanced statewide recycling.

Even prior to the completion of the findings and recommendation of this report, the benefit of the Task Force has been felt by increasing the public awareness of the complexity of this issue. Dialog and networking across entrenched lines have been fostered, resulting in an increased understanding and appreciation of both the positive and negative impacts of Michigan's bottle law. As was evident in this report, the hearings provided a much needed venue for the expression of strong feelings, especially from those in the food store business who have never had a forum to vent and petition a redress of

their perceived grievance. The Task Force members fully appreciate that the success of the Beverage Container Law is due in large measure to the good graces of the dealers and distributors who have honored the spirit and letter of the law. These good stewards have acted to fulfill the responsibilities of the law in a way that has been a burden and a cost to their operations. Certainly, the statewide community was given a window on their world and, as a consequence, has gained a greater appreciation of the burdens that they have nobly borne in implementing the will of the people as expressed in the ballot initiative of 1976.

A special word of appreciation goes to each of the Task Force members: Senators Patty Birkholz, Mike Bishop, Alan Cropsey, Jud Gilbert, and Wayne Kuipers. These Senate colleagues gave of their time and energy so critical to accomplishing the goals of the Task Force. Ben Bodkin and Tony Hendon were especially helpful in organizing the details and logistics of the hearings. Lastly, a significant accomplishment was achieved at the Lansing hearing when a joint presentation was made by the Michigan Environmental Council, the Michigan United Conservation Clubs, and the Michigan Recycling Partnership as they sought common ground. This joint statement was a milestone of cooperation and consensus. We appreciate this measure of forward motion. A wise man once said "never let the abstract best become the enemy of the concrete good." Our intent is to promote good stewardship of land and resources. It is also our intent to encourage public policy that is **effective**, **fair**, and responsible to all sectors of our statewide community as we strive to expand recycling and place Michigan not at the bottom, but at the top of those states that have achieved preeminence in recycling. We are mindful that not all viewpoints will be satisfied by this proposal, but be assured that no one has been left unheard nor unappreciated in this nine-month exploration.

STATE SENATOR CAMERON S. BROWN

Chairman, Beverage Container and Recycling Task Force

September 2003

SSUE

Recycling in Michigan — A History of Efforts and a Need for Change

Findings

People in Michigan overwhelmingly support recycling. Statewide recycling may have numerous components and various approaches both on the state and local level, but new state policies must be developed now to support a more successful statewide recycling program.

Recommendations

- 1. The state must establish a comprehensive plan to improve its current average of 20 percent of recycling in Michigan.* This plan must contain components that focus on improving assistance to local recycling programs in terms of financial and technical assistance, improvements in litter control, education, incentives to stimulate markets, and encouraging new business investment that supports the recycling industry. This plan should be placed in statute and regularly revised (at least every five years) to ensure that policymakers remain alert to needed changes in the recycling program.
- 2. The state should establish a statewide Recycling Advisory Council consisting of various members of the recycling industry along with membership from the business, environmental, and local units of government community. Membership should also include the Department of Environmental Quality (DEQ) through its Statewide Recycling Coordinator. This Council will provide recommendations to the Legislature on how to update the state's comprehensive recycling plan.

- 3. In addition, the establishment of the Recycling Advisory Council will help to facilitate a dialogue between the various interest groups that are impacted by recycling policy. There is much that can be done to build a consensus for the steps that need to be taken to develop a comprehensive statewide plan.
- 4. The Legislature should formally establish the Office of the Statewide Recycling Coordinator in statute. This position currently exists in the DEQ, but there is no assurance that it will continue. Creating such an office will help to confirm the importance of having a continued, sustained effort to promote effective recycling.
- * The state has adopted the Environmental Protection Agency's standardized method developed for calculating recycling rates. This method focuses on materials recycled from the municipal solid waste (MSW) stream only. This narrowed focus allows for more uniform comparisons of recycling rates among states and local communities. MSW is defined as residential, commercial, and institutional waste, as well as industrial, administrative, and packaging waste. Not included is the recycling of materials resulting from industrial and manufacturing processes, such as construction and demolition debris and biosolids.

SSIIF

Designing a Better System for Recycling in Michigan — Structure, Targets, and Interface with Local Recycling Programs

Findings

Local recycling programs are often innovative and resourceful and employ a variety of approaches to implement recycling at the local level. The state can gain much valuable information from monitoring these programs. Michigan policymakers should make a greater effort to coordinate and/or gather information on local recycling programs in order to track recycling performances and determine what programs are working best. There should not be an attempt, however, to impose any particular model on local recycling efforts. Any program that provides convenience and accessibility for the consumer and can be maintained consistently should be allowed. Past successful efforts at the local level indicate that curbside collection, drop-off centers, or a combination of these two are all acceptable ways to run local recycling programs. Both public and private sector involvement should be encouraged.

The state must pay more attention to monitoring its recycling rate. Michigan has no set recovery goals, and even the state's own office paper recovery goals have not been reviewed and revised in several years.

Recommendations

- 1. The Task Force recommends that the Statewide Recycling Coordinator, working in conjunction with the Recycling Advisory Council, should establish a method for regular review of the state's local recycling programs in order to gather information about processes, markets, and recycling rates.
- 2. The Task Force also recommends that incentives be implemented for the coordination of local recycling programs in shared regions of the state. More needs to be done to attempt to coordinate successful recycling programs in order to share ideas, resources, and funding where appropriate. The state's solid waste management program could be amended to require more regionalization of these recycling programs. Eligibility for funding from the state to run recycling programs should be considered as one of these incentives.
- 3. The Task Force recommends that the state create a set of short-term and long-term recovery goals in statute and require that the Department of Environmental Quality report annually of the state's recycling rates. These

goals should include a new set of recycling rates for <u>state office paper recovery</u> and other appropriate items as determined by the Recycling Advisory Council. These statutory rates must be reviewed and revised on a regular basis.

ISSUE

Funding Michigan's Recycling Programs — Developing a Consistent, Dedicated Source of Funding for Local Recycling Programs

Findings

The Task Force finds that the state must take action to identify a regular source of dedicated funding to further develop the state's recycling programs. This funding source should be consistent and placed in statute to ensure long-term support for recycling programs. It would also be beneficial to construct it in such a way as to provide an incentive to reduce waste going into the state's landfills.

Local financing options are also critical to the success of recycling programs. There may be ways to improve these local funding options by providing more flexibility and, in some cases, more authority for local units of government to collect revenue for recycling programs. However, that authority must be clearly supported by the citizens.

Recommendations

1. Michigan should enact a per-ton surcharge capped at no more than \$3 per ton on commercial and residential waste being disposed of in the state's Type II sanitary landfills. This revenue stream would be deposited into the newly created Recycling Works! Fund to provide funding at the county level for local recycling programs that meet a set of criteria established in statute by the state's Recycling Advisory Council. Industrial waste and waste generated during environmental remediation should be exempted under this proposal.

- 2. A portion of the Recycling Works! Fund may be used to offset or fund the use of tax credits by businesses that employ recycling processes in their business operations.
- 3. The Task Force also recommends that one of the criteria for receiving funding under the state program is to ensure that local recycling programs in adjacent areas of the state attempt to coordinate their recycling programs and share information. There is no reason why multiple recycling programs in a region of the state should not attempt to work together to develop a more coordinated recycling plan for the area.
- 4. Michigan policymakers should also consider the use of "advanced recycling fees" (fees paid at the time of sale to support recycling programs for that item) to help ensure proper management of certain items that contain toxic materials such as various forms of electronic waste.
- 5. The Task Force recommends that the Recycling Advisory Council work with other local recycling officials to review current local funding options to determine if any changes could be made to these programs. State programs such as the Urban Cooperation Act might be amended to expand local funding options.

ISSUE

Stimulating Statewide Recycling — Landfill Bans, Anti-Litter Campaigns, Encouraging Markets, and Business Investment

Findings

Like others in the country, Michigan's recycling program depends on providing a ready source for recycled goods and keeping markets for those goods viable. The stream of recycled goods must be consistent, and appropriate items made readily available for reuse. Michigan must do more to encourage this stream by enacting landfill bans and enforcement of anti litter laws to ensure a ready supply is available. There is also much that the state can do to promote an anti-litter ethic. The state must take more action to stimulate markets and business investment by

firms that use recycled materials in some part of their manufacturing process.

Michigan must also take a more aggressive role in attracting businesses as well as supporting existing business that use recycled materials in their manufacturing process.

Recommendations

1. The Task Force recommends that a ban on beverage containers as defined in the Beverage Container Law should be imposed on all landfills in Michigan. The Recycling Advisory Council should work with the information in the report made by the Department of Environmental Quality (DEQ) pursuant to HB 4393 in order to provide a recommended strategy for implementing a phase-in of additional banned items from the state's landfills.

As an important part of this charge, the Task Force recommends directing the Recycling Advisory Council to immediately consider a ban on plastic water bottles based on the data that there is a ready and available market for reusing this kind of plastic container. This ban, however, should only be imposed after adequate changes have been made in the state's recycling infrastructure to provide for an effective method of collecting and recycling these plastic containers, and to ensure that they do not add to the state's current litter problem.

Additional input in deciding what additional items are to be banned could be gleaned from studying other states, such as Wisconsin, as they have implemented their own bans.

- 2. The Task Force recommends creating a new litter-alert program that provides incentives to individuals who are aware of large scale littering actions in order to create more effective enforcement of the state's litter laws. This litter-alert program should include a toll-free hotline for reporting information on potential litter violations.
- 3. The state should take full advantage of its driver education program to teach students about the importance of not littering the state's roads and highways. An anti-litter component

should be incorporated into the driver training program so that habits developed by new drivers are shaped by this anti-litter message. This program should also include information on the importance of recycling.

- 4. A comprehensive study of the state's litter problem needs to be conducted, along with the development of a model plan for identifying a profile of those who typically litter. The state should then develop an aggressive marketing program that utilizes a statewide slogan (developed in part by suggestions from Michigan school children) to reduce litter. This program should be well coordinated with the state's recycling program and its intended effects. The state should also expand its Adopt-a-Highway program to other areas of the state where litter is also a problem. Operation Beach Sweep is another program that could be expanded to involve more volunteers and impact the litter problem.
- 5. The state should consider new reduce and reuse initiatives, such as the Pay-As-You-Throw (PAYT) program, that have worked in other venues. Other programs such as Ireland's shopping bag recycling program are innovative approaches to reducing waste that should also be considered.
- 6. The Task Force recommends working with the Office of Environmental Assistance in the DEQ, the proposed Recycling Advisory Council, and the Michigan Economic Development Corporation (MEDC) to encourage more firms like Clean Tech to invest business operations in Michigan. These organizations should be encouraged to specifically focus on attracting firms that have both novel, workable concepts for using recycled goods and firms that have a demonstrated record of success in other states. Appropriate incentives could be fashioned by the Legislature to aid the MEDC in its task of locating and attracting these companies.
- 7. As part of this encouragement, a package of financial incentives should be designed to

- provide immediate relief to existing businesses and a new draw for business investment. Tax credits should be provided to those businesses that purchase or lease recycling equipment or who operate a qualified recycling facility.
- 8. The Recycling Advisory Council should examine modern manufacturing processes that incorporate equipment or other technology to more fully utilize recycled goods or allow for recycling of waste products. From this information, the Council should consider developing a "Best Recycling Practices" standard to which businesses in Michigan could voluntarily adhere. The DEQ's current Clean Corporate Citizen Award program could be modified to add a new category of award for those who achieve this standard.

SSUE

The Role of Education and Establishing a Recycling Ethic — Promoting a Renewed Emphasis on the Three Rs — Reduce, Reuse, and Recycle!

Findings

The pride that many take in engaging in the practice of recycling is evident to the Task Force. It is also clear that much of this is due to action at the local level that has helped to stimulate pride in the community for the role it plays in helping to keep waste out of landfills and off roads and streets, as well as providing materials for reuse. The state can certainly play a greater role in helping to promote this sense of pride and involvement in recycling.

Recommendations

1. The Task Force recommends that the Recycling Advisory Council study examples of other successful local and statewide media campaigns and develop an educational campaign that promotes an ethic to reduce, reuse, and recycle. This campaign should focus heavily on the need to educate our children about the value of recycling.

- 2. There should be a specific focus on combining this recycling education campaign with the anti-litter campaign proposed in this report. Effective recycling and litter control go hand in hand, and a consistent statewide message could be well coordinated. A prime example of such a coordinated program would be the development of a component of the state's driver training program focused on litter reduction and recycling. Unique opportunities such as these to teach the youth of Michigan about preserving the beauty and health of the state's natural resources must be fully utilized.
- 3. The Michigan Environmental Education Act should be amended to require specific instruction to the Environmental Education Coordinator to help distribute recycling materials to schools in the state. The Statewide Recycling Coordinator should have a significant role in this duty.
- 4. The Legislature should consider the creation of a statewide media campaign to recognize and reward novel and successful recycling practices. A special category of award could be created for school children who exemplify model recycling practices.
- 5. The Legislature should create a new Environmental Education Grant Program for teachers who implement recycling education into their science curriculum. Grant funds could come from a small portion of the revenue in the waste surcharge proposed in this report.
- 6. A preferred waste management strategy similar to the one published by the Department of Natural Resources in 1988 should be placed in statute to clarify the importance of reducing, reusing, and recycling as first-choice alternatives to landfilling. The Recycling Advisory Council should conduct a review of all solid waste management laws in Michigan and make recommendations for revisions in order to encourage recycling.

ISSUE

Michigan's Beverage Container Law — A History of Efforts and a Need for Change

Findings

There is widespread support among many citizens of Michigan for the state's current Beverage Container Law. These citizens view this law as a litter control and recycling measure that is highly effective. There is also an expressed interest in expanding the law to include noncarbonated beverage containers.

The counterpoint is that there have been serious consequences for businesses and others who have had to implement the program. Any expansion to include new items, without an underlying change to the administration of the program, would have a significant long-term cost impact on retailers, distributors, and the customers they serve.

Recommendation

1. There is strong support statewide to maintain the general purpose of Michigan's current Beverage Container Law. It is evident that some modifications should be considered to minimize or eliminate negative impacts on the dealers and distributors to provide a stronger foundation for any expansion.

SSIIF

Michigan's Beverage Container Law — Its Impacts on Litter Reduction and Recycling

Findings

The Task Force finds that the Beverage Container Law is popularly viewed as a successful program to help control litter and direct certain glass bottles and aluminum cans into a ready source for recyclers and processors; yet, there is a need for more substantiation of the purported litter problem before an expanded program's impact on this problem can be assessed.

In addition, although the program is an effective component of the state's recycling efforts, there may be more cost-effective ways of improving the state's recycling rates than expanding the current program.

Recommendations

- 1. The Task Force recommends that a portion of the funds in the Recycling Works! Fund be used to underwrite the costs of a comprehensive statewide litter survey in which volume, type, and other important components of litter would be identified.
- 2. The Task Force further recommends that programs such as the state's Adopt-a-Highway, Adopt-a-Shoreline, Adopt-a-Park, and Adopt-a-Forest could all be used more effectively to provide an ongoing source of information on the state's litter problem. The reporting forms used by Adopt-a-Highway groups could be modified and made available to organizations that participate in other Adopt-a-Resource programs. Information taken from these forms should provide a regular source of data about the status of our litter problem in Michigan.
- 3. Although the recycling rates reported under the Beverage Container Law are extraordinarily high, the Task Force believes that there are more cost-effective ways to increase recycling. A cost-benefit analysis should be conducted by the Recycling Advisory Council to confirm this supposition. The Task Force concludes, particularly given the current economic condition of the state, that it is wisest to invest in methods that provide the most cost-effective increase in recycling rates.
- 4. The Task Force also suggests that as recommendations of this report to expand recycling are implemented, information be gathered to more fully determine if the current Beverage Container Law does detract from greater success of a comprehensive recycling program (by diverting valuable recyclables such as aluminum cans).

SSUE

Michigan's Beverage Container Law — Its Individual Impacts on Dealers and Distributors

Findings

The Task Force finds that dealers and distributors have taken the responsibilities and requirements of the Beverage Container Law very seriously and should be commended for their efforts. The Task Force finds that numerous substantive changes need to be made to the current Beverage Container Law before any expansion can be considered. The law must be revised to address significant problems as presented at the hearings. More can certainly be done to ease the burden that dealers and distributors bear under the current law.

Recommendations

- 1. The Task Force recommends that a package of tax credits be made available to businesses that invest in floor space dedicated to redeeming containers and for investment in equipment necessary to process and store containers.
- 2. The Task Force recommends that the current language that authorizes retailers to refuse certain containers be moved to a prominent stand-alone section in the law and be revised to read as follows:
 - "A dealer or distributor may, but is not required to, refuse to accept from a person any returnable container that contains residue other than that of the original contents, or any container that is crushed or mutilated, or any container that presents an unacceptable health risk to the dealer, distributor or his or her customers or employees." (Underlined portion indicates proposed change in statute.)
- 3. The Task Force recommends that the Michigan Department of Agriculture's Food Safety Division provide a biennial report to the Recycling Advisory Council on food safety violations caused by compliance with the

Beverage Container Law. As part of this report, the division should attempt to conduct some type of risk analysis to determine the potential threat that a significant violation might pose to food stores.

In addition, the Task Force recommends that the Recycling Advisory Council shall also take such steps to assess other food safety and human health concerns with the current Beverage Container Law. The Task Force heard testimony of various health and safety problems in storage areas and in the use of grocery carts used for bottle transport and food carriage. The Task Force acknowledges that though these concerns may not always rise to the extent of an actual violation of food safety laws, they still may pose a potential health threat to those dealers and distributors and the customers they serve.

4. There should also be further information obtained on the potential to expand the bar code methods of identifying cans and bottles in order to distinguish one state's cans from another's. Bar code technology is making solid advancements, and many believe that manufacturers could add more information to bar codes to allow for greater examination of which bottles and cans are eligible for redemption.

ISSUE

The Beverage Container Law and Opportunities for Change — Structural and Funding-Related Modifications

Findings

The Task Force finds that there must be both structural and funding-related modifications to the Beverage Container Law. The mandated deposit system has real value in providing a consistent source of recyclables, but it places too much burden on dealers and distributors. The law must be amended to relieve this burden and create market-based incentives to drive a more appropriate method for the collection of beverage containers. Ultimately,

the Task Force would like to see a beverage container return system that is highly effective but relieves food stores of the undue burden of having to accept beverage containers.

Recommendations

- 1. The Task Force recommends that, to relieve an undue burden on dealers and distributors who have borne the costly burden of implementing the Beverage Container Law, the Recycling Advisory Council should review the current apportionment of the Unclaimed Bottle Deposit Fund for redistribution. The aim of this review and redistribution should be to more fully compensate dealers and distributors for the costs that they are forced to incur under the current system.
- 2. The Task Force further recommends that the state direct a one-time appropriation from the Community Pollution Prevention Fund portion of the Unclaimed Bottle Deposit Fund to underwrite the costs of designing and implementing a pilot program for two regional redemption centers in suitable urban areas of the state.
- 3. It is further recommended that in developing the pilot program for a regional system of redemption centers that certain focuses be placed on the design of the system. Maintaining the effectiveness of recycling of beverage containers must be a high priority. There should be an effort made to encourage partnerships between dealers and those who wish to run a redemption center, while allowing nearby retailers to "opt out" of the requirement to accept beverage containers. Redemption centers could be made "user friendly" by allowing for the acceptance of other recyclables, and educational programs could be conducted on site to inform citizens of the importance of recycling. There is a great opportunity for the state to design such a system that instills pride in those communities that play host to a redemption center.

4. The Task Force recommends that there be a separate sub-council of the proposed Recycling Advisory Council created to oversee the implementation of the pilot program for regional redemption centers and to continue to monitor the success of the state's Beverage Container Law. The sub-council members would consist of dealers and distributors, persons representing redemption centers, and members of the environmental community.

SSUF

THE BEVERAGE CONTAINER LAW AND THE QUESTION OF EXPANSION — Is the Time Right to Expand and What Would It Mean?

Findings

The Task Force finds that although there is support among the populous for expanding the system to noncarbonated beverage containers, the current system cannot support any expansion at this time. The system must first be fixed to provide a more stable foundation before expansion can be advanced.

Recommendations

1. The Task Force supports the need to recycle the new-age containers mentioned so often by those who provided testimony at the hearing, but only after the other structural and funding recommendations mentioned in this report have been implemented to provide for a smoother functioning system capable of handling an increase in recycled containers. The Task Force recommends that the Recycling Advisory Council monitor the improvements made once these changes have been implemented and provide a report outlining their recommendations for adding new containers. These recommendations must also take into account improvements made in the state's overall recycling program recommended in this report, as an expanded recycling program may address the concerns for litter control and recycling mentioned by advocates of expansion of the Beverage Container Law.

2. The Task Force, therefore, recommends that the Beverage Container Law not be expanded to include any additional containers at this time, due to the belief that the current system places too many burdens on dealers and distributors that need to be remediated before implementing any significant expansion. Structural changes must precede the state's adoption of an expansion program in order to stabilize the system prior to handling new items.





The mission of the Beverage Container and Recycling Task Force is to conduct a thorough review of the state's current Beverage Container Law and the state's various recycling programs. As contemplated by the Senate Majority Leader, this was to be accomplished by assessing, through a series of statewide public hearings, the thoughts and ideas of the citizens of the state. What evolved from this mission and this charge was, in fact, a very complete look at the current problems, benefits, and opportunities for change that policymakers can review in order to make recommendations for improving state law in these areas.

As noted, the Task Force conducted a series of nine public hearings all over the state. Commencing with the first hearing in Grand Rapids, in which a crowd in excess of 100 persons provided testimony to the Task Force, there was consistent support for improving recycling in the state but often conflicting opinions over the impact of the Beverage Container Law on both the success of recycling and the businesses that were forced to implement it.

As the Task Force began its work, the members soon realized that although the Task Force was specifically titled the Beverage Container and Recycling Task Force, it was often expressed by those who testified that the broadest issue at hand would be an examination of the state's current recycling program, with the Beverage Container Law a component of that analysis. The Task Force members agreed that recycling has many components, one of the most crucial of which is the current Beverage Container Law. Other components include the state's own recycling program for state government materials, local recycling programs that are

established through either curbside or regional recycling centers, and privately operated recycling programs. All of these components needed to be reviewed in order to answer the question how policymakers can improve the current 20 percent statewide recycling rate in Michigan. This then became the dominant question that drove the Task Force members in their deliberations.

Because the Beverage Container Law has played a major role in keeping various bottles and cans off the state's roads and highways, and presumably out of the state's landfills and back into the manufacturing stream, the Task Force members felt that it is deserving of the separate significant attention that it is given in this report.

What follows then is a report on recycling in Michigan with a series of issues that are specific to recycling programs in this state. Discussion of the Beverage Container Law is highlighted as one of the most critical issues because of its successes (both real and perceived), its potential for new successes, and because of the real problems it has presented to those businesses that have had to implement it.

Discussion of the Beverage Container Law centered on its successes in removing litter and keeping cans and bottles out of the waste stream; yet, at the same time, there was concern expressed that this recycling program is but a very small portion of the recycling picture. A substantial amount of time was spent exploring the potential for the program to be expanded along with its impact on litter and on the businesses that would have to deal with the consequences of expansion. There was discussion regarding changing the nature of the redemption program by adding redemption centers (alternative location beverage container

return sites) and removing current redemption sites out of the stores. A review of the amount of the deposit and whether the state should consider redistributing and redirecting funds from the bottle deposit proceeds to cover worthy needs was also discussed.

Finally, there was substantial discussion concerning the problems that food stores and distributors have had with the current program such as food safety issues, fraudulent conversion, overredemption, and related financial concerns.

Other issues that were the subject of much discussion and appropriately set apart in this report include: the need for development of statewide standards or goals, the refinement of current state office recycling programs, the need to encourage and enable local recycling programs would be designed and implemented, development of consistent sources of funding, how to provide education and instill a recycling ethic, how to stimulate recycling in the manufacturing processes through financial and other incentives, and how to stimulate and keep alive markets for recycled goods.

What follows is a detailed report on an issue-byissue basis that explores the most fundamental question posed to the Task Force — How to improve recycling in Michigan and what role the Beverage Container Law should play in providing an answer to that question. The format for this analysis will be to define the relevant issue, provide important background information from a variety of sources, cite the relevant public testimony, report the findings of the Task Force, and then to make a series of specific recommendations.

TASK FORCE MISSION STATEMENT

The mission of the Michigan Beverage Container and Recycling Task Force is to review the state's current recycling programs and to evaluate the impact of Michigan's Beverage Container Law on statewide recycling along with its effects on the consumer, business, and the environment.

The Task Force will make recommendations to the Legislature shaped largely by input received from Michigan citizens across the state. The Task Force will issue a report on possible ways to improve or expand Michigan's Beverage Container Law if needed and/or consider new approaches to encourage recycling.



A History of Efforts and a Need for Change

SSUE

Michigan citizens overwhelmingly support an expanded and improved system of recycling. Michigan has a long history of attempts at improving its recycling rate through a variety of programs such as the Beverage Container Law, yet numerous factors exist to discourage implementation of a consistent, effective program of recycling.

Background

In his charge to the newly created Beverage Container and Recycling Task Force, **Senate Majority Leader, Ken Sikkema** stated that "Michigan is one of the worst states in the nation when it comes to recycling. We need to determine what is the best direction for Michigan to take before we can move forward with any legislation."

Senator Sikkema was right — Michigan's current 20 percent recycling rate places it well below the Great Lakes states' average of 26 percent and in the bottom half of all states at 28th in the nation. Clearly, if Michigan is to maintain its reputation as a national leader in environmental programs, more must be done to improve its recycling rates.

According to the Legislative Service Bureau, Science and Technology Division, recycling refers to practices and technologies to recover materials from the waste stream for reuse. Such material recovery and reuse could be as simple as collecting and sterilizing beverage containers or as complex as separating, grinding, and remelting metal cans. In general, recycling consists of three basic steps: (1) the separation or recovery of recyclable materials from a waste

stream, (2) the processing of recyclable material for reuse in the same product or for incorporation into feedstocks for the manufacture of new products, and (3) the purchase of products made from recycled material by consumers.

Recycling is generally considered to be among the most desirable methods of managing solid waste. Other alternatives such as landfilling and incineration are seen as less acceptable by the public. Yet, landfilling remains one of the most often used methods of disposing of solid waste. With landfill fees remaining at affordable levels, due to excess capacity and lack of a state emphasis on stimulating statewide recycling programs, there is very little anticipation that recycling will improve without a concerted effort by policymakers to make changes to our state laws. Other obstacles confront recycling including unstable markets and prices, lack of a consistent supply of materials, and contaminated materials being chief among those hurdles.

Historically, Michigan policymakers have supported changes to laws and administrative programs to encourage recycling. One of the most significant and highly visible changes to state law was the implementation of the state's Beverage Container Law through a citizeninitiated law in 1976. This measure placed a 10-cent deposit on beer and soft drink containers and requires dealers to accept those containers for a refund in an effort to keep these cans and bottles out of the state waste stream. The law has been particularly effective in curbing litter throughout Michigan.

Other state programs include funding for finding alternatives to placing waste in landfills through the Clean Michigan Fund and the voter

approved Quality of Life Bonds in 1988 that provided for \$17.5 million in General Obligation Bonds to fund a grant program called the Solid Waste Alternatives or SWAP program. The Department of Natural Resource's development of a solid waste policy in 1988 set recycling targets of between 20 and 30 percent and an Executive Order issued by Governor Blanchard, in the 1980s, created a special Recycling Promotion Advisory Committee. This committee provided recommendations to help promote recycling through state policies and used the purchasing power of state government to help facilitate recycling.

Other statutory changes over the years have also encouraged state government recycling through the Office Paper Recovery Act and the Used Oil Recycling Act. Scrap tires have been addressed through a law that promotes the reuse of scrap tires. Composting, or the recycling of yard waste, was also a focus of the Legislature with the enactment of a landfill ban on yard waste.

There have also been several legislative study committees that have presented a variety of recommendations for improving recycling in the state, and various interest groups and organizations have sought to encourage more statewide recycling through a variety of measures.

However, little significant improvement has been made in Michigan's recycling rate. Many attribute this to a number of factors, including lack of a statewide plan, lack of funding for local programs, lack of educational efforts, and a fluctuating market for recycled goods.

Testimony

Citizens throughout the nine public hearings frequently cited the need to do more to improve recycling in Michigan. Many took the opportunity to express their support for a comprehensive statewide program that would be in the words of **Bryan Weinert**, of Ann Arbor, "bold, inclusive, and a responsible approach to recycling."

Mr. Weinert goes further to say: "Recycling lags in the state, almost embarrassingly so. Yet, recycling matters. By its very nature it conserves natural

resources. It saves massive quantities of energy. It reduces air and water pollution. It reduces greenhouse gases. It creates jobs. It drives economic growth throughout the economy. It reduces litter."

During testimony at the hearing on Oakland University's campus, both **Elizabeth Harris**, of the East Michigan Environmental Action Council, and **Mike Garfield**, of the Michigan Ecology Center, took the opportunity to remind the Task Force how important recycling is to Michigan citizens. In the words of **Mr. Garfield**, "I am glad the Task Force is looking at recycling in the state." He stressed that there are several steps that the state can take to improve its recycling rates.

Jennifer Kluge, of the Michigan Food and Beverage Association, asserted that "people want to recycle now and that times and attitudes toward recycling have changed since the passage of the original bottle bill" — while Gary Powers, of Powers Distributing, cited a poll that claimed over 60 percent of citizens support recycling.

The relatively more recent concerns with trying to curb the importation of out-of-state waste were expressed by **Bethany Renfer**, of Clean Water Action. Michigan's excess landfill capacity and its propensity to dispose of waste in these landfills have helped to create this growing problem of out-of-state waste. According to **Ms. Renfer**, Michigan depends too heavily on landfills and has ignored valuable opportunities to recycle. "Detroit is the largest city in the nation without a curbside recycling program."

During testimony at the Coldwater hearing, Chris Himes, representing the Recycling Works Company located in Indiana, indicated that Indiana has a very successful recycling program and that "its rates have been steadily increasing as state initiatives like curbside recycling and expanded drop-off locations have helped to develop recycling."

Ken Ross, a citizen of Adrian, told the Task Force that while the state has done many things to improve the litter problem in the state, including the bottle bill, "recycling is one of the smartest initiatives that the people of Michigan have ever accomplished, but more needs to be done."

Commenting on the local government's role in recycling was **Curt Kemppainen**, from the Kent County Department of Public Works, who has been involved with recycling since 1972 and has seen recycling in Kent County become a way of life for residents in the county. "We have overcome some significant hurdles with recycling, one of the most significant of which is funding."

Others such as **Cal Lofdahl**, of the Chippewa County Recycling Program, believe that a good recycling program can even instill pride in the community. Chippewa County's program is funded by both a county millage and revenue from the sale of recycled goods, but more than that, it is a program that employs about 80 people, some of whom are mentally and physically challenged people. According to Mr. Lofdahl and Chippewa County Commissioner **Richard Timmer**, this program has brought a lot of goodwill to the community and has instilled a recycling ethic in areas that would not have normally been exposed to recycling. Commissioner Timmer's daughter was a recycling captain in her school and, she in turn, taught others in her school about recycling. "It's just a part of our life in the county to recycle.'

Findings

People in Michigan overwhelmingly support recycling. Statewide recycling may have numerous components and various approaches both on the state and local level, but new state policies must be developed now to support a more successful statewide recycling program.

Recommendations

1. The state must establish a comprehensive plan to improve its current average of 20 percent of recycling in Michigan.* This plan must contain components that focus on improving assistance to local recycling programs in terms of financial and technical assistance, improvements in litter control, education, incentives to stimulate markets, and encouraging new business investment that supports the recycling industry. This plan should be placed in statute and regularly

- revised (at least every five years) to ensure that policymakers remain alert to needed changes in the recycling program.
- 2. The state should establish a Statewide Recycling Advisory Council consisting of various members of the recycling industry along with membership from the business, environmental, and local units of government community. Membership should also include the Department of Environmental Quality (DEQ) through its Statewide Recycling Coordinator. This Council will provide recommendations to the Legislature on how to update the state's comprehensive recycling plan.
- 3. In addition, the establishment of the Recycling Advisory Council will help to facilitate a dialogue between the various interest groups that are impacted by recycling policy. There is much that can be done to build a consensus for the steps that need to be taken to develop a comprehensive statewide plan.
- 4. The Legislature should formally establish the Office of the Statewide Recycling Coordinator in statute. This position currently exists in the DEQ, but there is no assurance that it will continue. Creating such an office will help to confirm the importance of having a continued, sustained effort to promote effective recycling.

*The state has adopted the Environmental Protection Agency's standardized method developed for calculating recycling rates. This method focuses on materials recycled from the municipal solid waste (MSW) stream only. This narrowed focus allows for more uniform comparisons of recycling rates among states and local communities. MSW is defined as residential, commercial, and institutional waste, as well as industrial, administrative, and packaging waste. Not included is the recycling of materials resulting from industrial and manufacturing processes, such as construction and demolition debris and biosolids.



Structure, Targets, and Interface with Local Recycling Programs

ISSUE

There are a variety of methods that local units of government have employed in structuring their recycling programs. Michigan has no uniform system for coordinating these programs and structuring recycling programs in the state. The state has developed various targets for state government recycling that have not been revised in several years, and has not developed a target for an overall state recycling rate in statute.

BACKGROUND

Michigan has no statute that directs or requires local units of government to provide recycling programs. The state's solid waste management program (Part 115) requires counties to develop a plan to manage their solid waste, but there is no direct mandate to develop recycling programs. The only directive in Part 115 is language that urges the department, within the context of development of a state waste management plan, to encourage resource recovery:

"4) The department shall promote policies that encourage resource recovery and establishment of waste-to-energy facilities."

Several other states have laws that require the development of local recycling programs. In Oregon, state statute requires that a city, county, or metropolitan service district must provide a convenient place for collecting source-separated recyclable materials. If the population is greater than 4,000, the local government must provide collection at least once a month.

Each municipality in Virginia is bound by state law to have a recycling program as part of its

solid waste management plan, and municipalities are required to recycle at least 25 percent of their waste. As a result of this mandate, the state has 282 publicly owned collection centers, 15 municipalities offering curbside pickup, and 33 drop-off programs. Local governments are left to determine the composition of their recycling programs.

Many observers have noted that one of the principal reasons why Michigan has not mandated local recycling programs is the limitation on unfunded mandates to locals outlawed in the Headlee Amendment to the Michigan Constitution. Michigan is faced with the choice of either mandating recycling, and then providing an adequate funding source, or providing incentives to spur local recycling.

Unlike many other states, Michigan law does not provide any guidelines or directives and does not attempt to coordinate information from locals on recycling rates.

Left to their own devices, there have been many local recycling success stories.

Ann Arbor offers easy access to recycling for all its citizens. The city contracts to Recycle Ann Arbor, a private company that is responsible for curbside collection for single-family residences as well as pickup from multi-family residences and commercial locations. This collection does not include just conventional paper, fiber, glass, plastic, and metal materials. It also includes less conventional materials such as pots and pans, coat hangers and other residential scrap metal, phone books, paperbacks, empty aerosols, batteries, used motor oils, and motor oil filters. Side-door, collection is also offered to disabled

Ann Arbor citizens. In addition, the city collects organic materials that are later converted to mulch or compost for use and resale. Funding for the program is provided by the 1990 Environmental Bond that was approved by voters. Ann Arbor's current recycling rate is roughly 53 percent, while the state average is only 20 percent.

All Grand Rapids residents that live in multifamily or single-family homes can participate in Grand Rapids' "Waste Not" curbside recycling program. The program does not accept residential scrap metal like Ann Arbor's program; however, household batteries are accepted at the curb. The city uses a "two bin system" that simplifies source separation by requiring paper to be in one bin and the rest of the recyclables in another. Since July of 2000, the program is free to Grand Rapids residents.

Recycling officials from local units of government have found that having the flexibility to provide recycling services as their budgets and other conditions warrant is important to the success of their programs.

In addition to not directing local recycling programs, Michigan law does not provide a set of goals or target recycling rates for the state to reach. According to most observers, Michigan's current recycling rate is 20 percent, which places the state in the bottom half of all state recycling programs. In 1988, the Michigan Department of Natural Resources published a guidance document in which it laid out both the preferred methods for handling solid waste (reduce, reuse, and recycle) and a target recycling rate of between 20 and 30 percent. That target has not been revised since 1988, and Michigan's rate still hovers near the 20 percent mark.

The only statutory reference to recycling rates appears in Part 165 of the Natural Resources Environmental Protection Act (NREPA) — Office Paper Recovery — in which the state set goals for recycling of office paper generated in state office buildings. In addition, at least 50 percent of the paper that the state purchases must contain not less than 50 percent recycled content.

Testimony

The Task Force was impressed with the variety of efforts made by various local recycling programs. Many of the communities that have adopted recycling programs have done so with little state support, and it has seemed to have provided a sense of independence and some level of pride in these programs.

Local recycling programs are both privately owned and operated and run by local governmental officials.

Rodney Kroll operates a recycling center in Fremont that takes back a large number of recyclables and is independent of any

"Kent County has been active and involved with recycling since 1972.

Over this time, the county has had several hurdles in running their recycling programs — changing sources of funding and who administers the program, but the program has survived."

-Mr. Kemppainen

governmental ties. His company, Recycall, Incorporated, has been in business for 12 years, and **Mr. Kroll** is proud of his company's efforts in making recycling a viable alternative in the relatively rural area of Fremont. The company operates a drop-off center for people in the community.

Karl Hatopp, representing Clean Tech Inc., another privately operated firm, provides collection and processing of recyclable materials. This firm typically will work with cities and counties that have recycling programs and provide an outlet for the receipt of recyclables. In his testimony at the Grand Rapids hearing, Mr. Hatopp stated that companies like Clean Tech are constantly looking for more sources of recyclables, particularly plastics. But, the success of the company indicates that local recycling, whether curbside or drop-off, has a future in supplying recyclables to the marketplace.

Two examples of county-run programs that have seen good success are Kent County's program run by **Curt Kemppainen**, of the Department of Public Works, and Chippewa County's program run by **Cal Lofdahl**.

According to **Mr. Kemppainen**, "Kent County has been active and involved with recycling since 1972. Over this time, the county has had several hurdles in running their recycling programs — changing sources of funding and who administers the program, but the program has survived." **Mr. Kemppainen** was proud of the county's program as a mixture of both drop-off and curbside collection but stressed that more needs to be done to encourage recycling in rural areas.

During public testimony at the hearing in Sault Ste. Marie, **Mr. Lofdahl** described the Chippewa County program to the Task Force as "a combination of drop-off and curbside collection, where we supply trailers to the 17 townships in the county that the program covers, with curbside collection also being available in certain areas." In response to a question raised by **Senator Brown**, **Mr. Lofdahl** indicated that the county contracts with Waste Management to run their curbside collection program. **Mr. Lofdahl** estimates that about 60 percent of the available plastic in the county is picked up, and he also testified about the great amount of pride that the community takes in this program.

The Task Force members were clearly impressed with the initiative shown by **Mr. Lofdahl** and those employed by the program, taking note of the county's commitment to funding the program with a local millage, as well as the intended interest in working with a community service program to help pickup litter in the county. The program was also further praised by the Task Force for its track record in hiring certain physically and mentally challenged persons and providing them with meaningful employment opportunities.

It was clear to the Task Force that local recycling programs need to have as much flexibility in their design as possible and that any state model program needs to allow for such flexibility. As part of a group presentation made by the Michigan Environmental Council, the Michigan United Conservation Clubs, and the Michigan Recycling Partnership, **Mary Dechow** reinforced this notion by saying that the Task Force "should encourage the establishment of curbside recycling programs in urban communities and recycling drop-off centers in rural communities."

Whatever that design may be, convenience, accessibility, and appropriateness for the local conditions (rural, urban, suburban, and financing) all need to be factored in to making the program work well.

Many people testified about the state's woeful recycling rate of 20 percent and expressed surprise that more focus has not been directed toward improving recycling in the state.

Ms. Dechow cited the current rate as well as Governor Granholm's announced target of 40 percent recycling as a good one, but she stated that "we can only get there by implementing a curbside and recycling center drop-off system." She believes that goals are needed to give the state an incentive to improve their program.

In his written testimony to the Task Force, **Dan Bailey**, Executive Vice President of Martin's Super Market stores in Niles and St. Joseph, comments that the state needs solid recovery and recycling goals to provide such incentives. "The state clearly needs to have a role in spurring recycling in some way," he adds.

The **Kaplan** family submitted an e-mail to **Senator Brown** urging that Michigan improve its recycling rates and that more action be taken by the state to "see Michigan regain its pro-environmental stature."

Bill Lobenherz, representing the Michigan Soft Drink Association, also believes that the state must have set goals for improving its recycling performance. During testimony in Grand Rapids, Mr. Lobenherz questioned whether the goal of the Task Force "was to merely raise the state recycling rates" in an incremental amount or to really make an improvement.

The Task Force was left with the question as to what goal or target would be a good one to establish given the limited amount of funding that would be available. In an expanded presentation to the Task Force at the Oakland University hearing, **Kevin Dietly**, of the Northbridge Company, asserted that the state needs to know what its target improvement in recycling should be in order to design a system that will get it there.

Also, at that same hearing, **Mike Garfield**, Director of the Michigan Ecology Center, made several points about improving recycling in the state, the first of which was that "the state needs to set definite recovery goals."

Findings

Local recycling programs are often innovative and resourceful and employ a variety of approaches to implement recycling at the local level. The state can gain much valuable information from monitoring these programs. Michigan policymakers should make a greater effort to coordinate and/or gather information on local recycling programs in order to track recycling performances and determine what programs are working best. There should not be an attempt, however, to impose any particular model on local recycling efforts. Any program that provides convenience and accessibility for the consumer, and can be maintained consistently, should be allowed. Past successful efforts at the local level indicate that curbside collection, drop-off centers, or a combination of these two are all acceptable ways to run local recycling programs. Both public and private sector involvement should be encouraged.

The state must pay more attention to monitoring its recycling rate. Michigan has no set recovery goals, and even the state's own office paper recovery goals have not been reviewed and revised in several years.

Recommendations

- 1. The Task Force recommends that the Statewide Recycling Coordinator, working in conjunction with the Recycling Advisory Council, should establish a method for regular review of the state's local recycling programs in order to gather information about processes, markets, and recycling rates.
- 2. The Task Force also recommends that incentives be implemented for the coordination of local recycling programs in shared regions of the state. More needs to be done to attempt to coordinate successful recycling programs in order to share ideas, resources, and funding where appropriate. The state's solid waste management program could be amended to require more regionalization of these recycling programs. Eligibility for funding from the state to run recycling programs should be considered as one of these incentives.
- 3. The Task Force recommends that the state create a set of short-term and long-term recovery goals in statute and require that the Department of Environmental Quality report annually of the state's recycling rates. These goals should include a new set of recycling rates for state office paper recovery and other appropriate items as determined by the Recycling Advisory Council. These statutory rates must be reviewed and revised on a regular basis.





Developing a Consistent, Dedicated Source of Funding for Local Recycling Programs

ISSUE

Michigan has no dedicated source of funding to enable and support local recycling programs. The successes enjoyed by local recycling programs have, in large part, depended upon local funding options, sales of recyclables, and general resourcefulness of the programs.

Background

Michigan has a history of funding various recycling initiatives but has never directly funded local recycling programs on a sustained, long-term basis.¹

In 1986, Public Act 249 provided for \$2 million in funding to 22 recycling projects over a three-year period through the Clean Michigan Fund.

Two years later (1988), Michigan voters approved the Quality of Life Bonds in which \$150 million was set aside for the promotion of recycling through a new program called the Solid Waste Alternatives Program. This program provided for grants and loans to both businesses and communities that submitted proposals designed to provide alternatives to disposal in landfills. The program operated for six years, and although it helped to stimulate various recycling options, it was often criticized by those who were competing against the grantees by claiming the state provided "unfair business advantages to a select few."

It must be noted that the Headlee Amendment to the Michigan Constitution, Article IX, Section 29,

¹Michigan does provide some funding through the Unclaimed Bottle Deposit Fund to retailers to partially offset their costs in handling beverage containers under the Beverage Container Law. specifically prohibits the state from imposing any new activity or service on a local unit of government "unless a state appropriation is made and disbursed to pay the unit of Local Government for any necessary increased costs." An inability to find a suitable long-term funding source has been a deterrent to the state mandating local recycling programs. With this limitation, the state is left in a position where it can only provide incentives or inducements to local recycling.

Other states without such a limitation have been much more aggressive in funding local recycling programs.

New Jersey, New York, Oregon, South Carolina, Wisconsin, and Virginia are among those states that have dedicated sources of funding. A popular source of funding is the imposition of landfill surcharges as those found in Oregon, New Jersey, and Wisconsin.

According to research conducted by the Legislative Service Bureau, Science and Technology Division, some states have levied what they call "advance recycling fees" that are imposed on a product at the time of sale. This source of funding is then dedicated to a fund that is to be used to ensure opportunities for recycling of those products. An example of this approach is South Carolina's program in which a fee is charged on oil, new tires, refrigerators and other large appliances, and car batteries. This fee revenue is deposited into the state's Solid Waste Trust Fund and used by local governments to fund their recycling programs. Wisconsin uses its revenue from tipping fees to fund local recycling programs.

Michigan does have a dedicated funding source to aid in the management of scrap tires. A portion of the state's vehicle title transfer fee is set aside to both manage the state's regulatory program and help to provide for scrap tire grants. Individuals may apply for these grants, but only after meeting an extensive set of requirements to ensure that scrap tires are properly cared for on the applicant's site.

Local recycling officials have financed recycling programs through the passing of local millages, assessing per-household fees pursuant to the powers granted to locals in the state's Property Tax Act, and through revenue garnered through the sale of recyclables. Other sources of funding include the imposition of local landfill surcharges, the use of local general fund appropriations, and disposal facility surcharges.

Legislation has been introduced to impose such a landfill surcharge program and use it to fund local recycling programs in Michigan (House Bill 4152 — Representative Kooiman and Senate Bill 721 — Senator Brater).

Michigan's Solid Waste Management Program found in Part 115 of the Natural Resources and Environmental Protection Act (NREPA) allows municipalities to collect an impact fee from a landfill located within its jurisdiction of up to 10 cents per cubic yard. This fund can be used to pay for any public health, safety, and welfare purpose, including recycling programs.

It should be noted that even if the state were to provide for long-term funding, local recycling programs would most likely still have to depend on the current methods of funding to supplement state funding.

Testimony

From the very start of the hearings, funding for local recycling programs became a key topic of discussion. Most who were advocating a plan for long-term recycling in the state stressed that such funding is a crucial component.

Curt Kemppainen, from Kent County's Department of Public Works, hosted a tour of the

county's recycling processing center and told members of the Task Force just how critical funding is for his program. "We've been in recycling for over 30 years, and over that time, the county has had several hurdles to overcome in financing our program. We have used landfill surcharges and tipping fees and have switched from privately run to publicly run recycling programs." Mr. Kemppainen said that the tipping fees that the county uses have helped to keep the program running.

During testimony in the Lansing hearing,
Mary Jones, from Allegan County's recycling
program, talked about the popularity of Allegan
County's recycling program but told the Task
Force that "the program is struggling financially."
Senator Birkholz explained to the other Task
Force members that Allegan County has funded
its program through local millages and
household assessments, but more financial
support is needed. Ms. Jones said "locals have
funded the program initially to make it a success, but
we need more help from the state." Ms. Jones
suggested that more could be done by the state
to expand local funding options currently
structured in statute.

"Locals have funded the program initially to make it a success, but we need more help from the state."

—Ms. Jones

In written testimony to the Task Force, **Stanley Levandowski**, of L & L Food Centers in Lansing, stated that "Michigan should fund and encourage a broad-based recycling solution involving centers that handle all types of recyclables." Numerous written comments were submitted by citizens who supported statewide recycling programs, and all felt that for those programs to be successful, a regular funding source was needed.

Others spoke in favor of creating new fees for funding recycling programs for a different reason — to control the flow of out-of-state

waste. **Craig Lawrence**, from Speedy-Q Markets, told the Task Force at the Port Huron meeting that he was very concerned about Michigan's importation of Canadian waste and that he believed that "Michigan needs to tax its landfills more." **James Clift**, from the Michigan Environmental Council, supported this contention in his oral testimony at the Coldwater hearing by saying that a tipping fee on solid waste would serve the dual purpose of funding recycling programs and helping discourage out-of-state waste.

Various approaches to funding were explored by the Task Force through public testimony. Waste surcharges, advanced recycling fees, revenue from Pay-As-You-Throw Programs (PAYT), and diverting money from the Unclaimed Bottle Deposit Fund were all examples of new funding programs for Michigan policymakers to consider.

At the Adrian hearing, **Bryan Weinert** gave a detailed presentation of a plan to remove redemption requirements from the stores and create what he called a series of "Michigan Pride Redemption Centers" around the state. He suggested diverting money from the Unclaimed Bottle Deposit Fund and adding a new surcharge on waste to help fund the creation of these centers that would accept much more than the current redeemable containers and would actually serve as total recycling centers.

The PAYT Program was offered by some as a good program to have the state mandate at the local level. This program would take at least a portion of its funding gained by charging households for the amount of waste they place at the street and use it to fund recycling programs. There was some concern expressed for mandating such a practice at the state level, so the program was held out as a potential good local funding tool that more communities might consider to augment any new state funding.

Clearly, the most frequently mentioned funding option was to place a surcharge on waste being deposited into the state's landfills. **Cyndi Roper**, a representative for Clean Water Action, supported the need to fund recycling programs

and suggested that a good funding source would be a surcharge on waste to fund recycling.

According to information provided to the Task Force by members of the Recycling Partnership, an assessment of an additional \$3 per ton on

"Michigan needs to tax its landfills more."

—Mr. Clift

commercial and industrial waste would generate approximately \$51 million. This funding source could be directed in a revenue cost sharing approach to provide funding directly to counties that have approved waste management plans in place. From that point, the money would be directed back to the cities, townships, and villages to assist their local recycling programs.

According to **Bill Bobier**, **James Clift**, and **Mary Dechow**, representing the Michigan United Conservation Clubs, the Michigan Environmental Council, and the Michigan Recycling Partnership, respectively, Michigan needs to "levy a landfill tipping fee surcharge of \$3 per ton to provide needed revenue to support a dedicated, restricted funding source for comprehensive recycling and anti-litter programs in the state."

On the issue of what amount would be needed to fund a good statewide program, there were a variety of estimates provided to the Task Force. Through other testimony and discussion, the Task Force came to realize that total funding of a statewide program would not be possible through state action alone, but that the state could provide valuable financial assistance to help jump start and also sustain local programs. Some also commented on the state's role in refining current funding mechanisms for local units of government. There are various state

laws that might be reviewed to improve financing including the Solid Waste Management Act, the Michigan Townships Act, the Incorporated Cities Act, and PA 185 of 1957 creating a Public Works Assessment at the county level. **Ms. Jones**, from Allegan County, specifically suggested a possible revision of the Urban Cooperation Act to help Allegan County and others like it with their recycling program.

These local financing tools play a valuable role in current local recycling programs. The Task Force heard from **Cal Lofdahl**, from Chippewa County, about one such example — the use of a county-wide millage to help sustain their combination curbside and drop-off center recycling program.

Findings

The Task Force finds that the state must take action to identify a regular source of dedicated funding to further develop the state's recycling programs. This funding source should be consistent and placed in statute to ensure long-term support for recycling programs. It would also be beneficial to construct it in such a way as to provide an incentive to reduce waste going into the state's landfills.

Local financing options are also critical to the success of recycling programs. There may be ways to improve these local funding options by providing more flexibility and, in some cases, more authority for local units of government to collect revenue for recycling programs. However, that authority must be clearly supported by the citizens.

Recommendations

1. Michigan should enact a per-ton surcharge capped at no more than \$3 per ton on commercial and residential waste being disposed of in the state's Type II sanitary landfills. This revenue stream would be deposited into the newly created Recycling Works! Fund to provide funding at the county level for local recycling programs that meet a set of criteria established in statute by the

- state's Recycling Advisory Council. Industrial waste and waste generated during environmental remediation should be exempted under this proposal.
- 2. A portion of the Recycling Works! Fund may be used to offset or fund the use of tax credits by businesses that employ recycling processes in their business operations.
- 3. The Task Force also recommends that one of the criteria for receiving funding under the state program is to ensure that local recycling programs in adjacent areas of the state attempt to coordinate their recycling programs and share information. There is no reason why multiple recycling programs in a region of the state should not attempt to work together to develop a more coordinated recycling plan for the area.
- 4. Michigan policymakers should also consider the use of "advanced recycling fees" (fees paid at the time of sale to support recycling programs for that item) to help ensure proper management of certain items that contain toxic materials such as various forms of electronic waste.
- 5. The Task Force recommends that the Recycling Advisory Council work with other local recycling officials to review current local funding options to determine if any changes could be made to these programs. State programs, such as the Urban Cooperation Act, might be amended to expand local funding options.





Landfill Bans, Anti-Litter Campaigns, Encouraging Markets, and Business Investment

ISSUE

Michigan's current recycling program suffers from a variety of problems, including lack of consistently available recycled materials. The state accepts many items for disposal in its landifills that might otherwise be recycled, and consumer tendencies to litter continue to waste valuable materials. More companies that would use recycled goods would help to improve market conditions.

Background

Certain items are not allowed in Michigan landfills. Michigan law currently bans, among other items, yard waste, lead-acid batteries and used oil from being disposed of in Type II sanitary landfills. The purpose behind these bans is several-fold: to avoid unnecessary consumption of landfill space, to avoid contamination of landfills, and to provide for the encouragement of other uses of these materials. Of these, two in particular have yielded positive results for recycling — yard waste can be composted and over 95 percent of lead-acid batteries are collected and the lead recovered for new uses.

Other states have more extensive landfill bans that have led to improvements in recycling rates. Wisconsin has very specific recycling and waste reduction laws. The Waste Reduction and Recycling Law that was passed in 1990 is a comprehensive recycling law that, among other things, bans roughly 15 different materials from

landfills. However, since such a strict ban would be difficult to enforce, a community can be exempt from the ban if they implement an "effective recycling program." This means that recycling must be mandatory and easily accessible to the public for a community to deposit its garbage into the state's landfills. The recycling rate is almost 40 percent in the state and is rising. According to the Wisconsin Department of Natural Resources, 98 percent of people participate in local recycling programs, which receive most of their money from state funding and newly instituted grant programs.

It is important to note that Wisconsin's landfill bans were enacted over a period of several years in order, among other things, to provide for the development of sources to take these materials. On the issue of how landfill bans are enforced in Wisconsin, according to Eileen Norby, Waste Minimization Manager, University of Wisconsin System Administration, enforcement is handled by the "Responsible Units of Government" (RU). The RU can be a municipality, county, Indian tribe, solid waste management system, or other local unit of government responsible for the recycling program. The RU must find a way to manage banned items and educate residents and businesses about recycling.

According to a summary done by the Legislative Service Bureau of various landfill bans, Maine, Minnesota, New Jersey, New York, Oregon, South Carolina, and Virginia are among the states with multiple landfill bans.

MAINE — In 2000, enacted a ban on the disposal of mercury products in solid waste. Maine also bans lead-acid batteries, tires, and white goods (household appliances) from landfill disposal. More than 100 municipalities have adopted leaf and yard waste bans.

MINNESOTA — Bans tires, appliances, car batteries, oil, oil filters, and yard waste from landfill disposal.

NEW JERSEY — Bans lead-acid batteries, leaves, mercuric oxide batteries, nickel-cadmium batteries, and waste oil from disposal in landfills.

NEW YORK — Bans lead-acid batteries, liquid waste, tires, untreated infectious waste, and waste oil from landfill disposal.

OREGON — Bans discarded or abandoned vehicles, large home or industrial appliances, used oil, tires, and lead-acid batteries from landfills.

SOUTH CAROLINA — Bans lead-acid batteries, waste tires, household appliances, and yard waste from landfill disposal. Used oil is also banned but is not counted as municipal solid waste.

VIRGINIA — Bans lead-acid batteries, whole tires, and free liquids from landfill disposal. In addition, individual facilities may ban other materials.

During action on HB 4393 (Department of Environmental Quality [DEQ] budget for Fiscal Year 2004), a boilerplate amendment was added to require the department to assess the various markets for recycled goods, in part, in order to help provide information to the Legislature for enacting new landfill bans. This information is to be presented to the Legislature no later than December 31, 2004. The boilerplate language is as follows:

Section 502: The recycling coordinator shall conduct a study of the state's capacity to handle material recovered for recycling, the feasibility of collecting and transporting the material for recycling within the state, and the ability of the state to sustain markets for products containing

recycled content. The department shall make recommendations for improving and expanding recycling in the state in a report submitted to the legislature, the state budget director, and the senate and house fiscal agencies no later than December 31, 2004.

Another method of encouraging recycling is the implementation and enforcement of effective anti-litter laws. Michigan's principal anti-litter statute is found in Part 89 of the Natural Resources Environmental Protection Act (NREPA). The state's litter law contains express prohibitions against littering on either public or private property, and penalties are assessed on the amount of litter being disposed, with a maximum fine of \$2,500 for litter in excess of 3 cubic feet, and with repeat offenders subject to a maximum fine of \$5,000. Many observers have complained that the size or amount of any sanction under law is often irrelevant if an effective enforcement strategy does not accompany those sanctions. Some states and local units of government have turned to the creation of bounty award programs for those who provide information leading directly to the conviction of a person under their litter laws. Another state approach is found in New Jersey's Clean Communities and Recycling Grant Act of 2002, which imposes a litter-control fee on manufacturers, wholesalers, distributors, retailers, and on the sale of litter generating products. The fee replaces the Litter Control Tax which expired December 31, 2000. Revenue from the fee supports the Clean Communities Program for litter pickup and also recycling grants to counties and municipalities.

It is, however, difficult to detect the more frequent, small-sized littering infractions that take place every day in our state. Because of this, most agree that efforts should be made to influence behaviors and attitudes.

Many states have implemented aggressive marketing campaigns designed to instill pride in the state and, thus, discourage littering. Information gathered by the Legislative Service Bureau, Science and Technology Division notes several successful state programs:

- Through its Adopt-a-Highway Program, the Minnesota Department of Transportation uses public service announcements, posters, presentations, and litter prevention messages in schools and other public places to encourage behavior change and litter prevention.
- In 1969, the Governor of Oregon and other community leaders established a nonprofit organization named "Stop Oregon Litter and Vandalism (SOLV)" to bring together government agencies, business, and volunteers to address litter and other problems in the state. The SOLV program provides volunteers and resources to communities focusing on cleanup, beautification, and enhancement projects. In 1999, SOLV provided nearly \$7 million in service to Oregon communities.
- In 2002, Virginia kicked off a new litter campaign called "Litter. It Just Isn't Natural." The campaign includes posters and campaign stickers for litter control coordinators, who, in turn, provide these marketing materials to their constituents. The campaign provides a unified theme for litter prevention across the state. The campaign also emphasizes the negative impact on wildlife and the environment and on children's appreciation of the world around them. Television and radio announcements play on local radio and television stations as part of

the campaign.

Finally, the well-touted success of "Don't
 Mess with Texas" anti-litter campaign could
 provide a model for Michigan to consider.
 This program utilized an extensive
 statewide survey to profile the typical
 person who litters in Texas. Once this profile

was confirmed, a professional advertising campaign was aimed at those individuals (males and females aged 16-24 who smoke, consume fast food at least twice a week, and are single). In addition, the "Don't Mess with Texas" program provides several different ways that volunteers can get involved in helping to reduce litter. One of the most effective components is the Texas "Trash-Off" in which last year over 125,000 volunteers participated in a statewide litter cleanup.

According to a study entitled "What We Know About Controlling Litter," done by Daniel Syrek, of the Institute for Applied Research, states that conducted advertising and marketing-based litter campaigns have a greater impact on overall litter control than other methods of reducing litter. According to the study, it cost 1.3 cents under the paid, targeted advertising program to reduce one item of litter compared with other

programs such as the Adopt-a-Highway program (14.1 cents per item), comprehensive litter control (14.2 cents per item), paid litter pickup through highway maintenance (\$1.41 per item), and

the use of beverage container deposits (\$3.42 per item).

Another way of helping to ensure the success of recycling is to attract more firms like Clean Tech, Inc. to Michigan. This firm works with local recycling programs like those in Kent County and recently

negotiated an agreement to take Ann Arbor's plastics and other materials. Encouraging companies that use recycled products to locate in the state is an important step. Michigan has had some success in encouraging investment in existing firms or start-up businesses through its Solid Waste Alternatives Program funded by the Quality of Life Bonds of 1988. This program provided grants to companies that had a detailed plan to divert waste out of the state's landfills and provide an alternative use. There were, however, concerns over the impact that grants were having on competition with others

in the same industry as well as how thoroughly the use of the grant money was being audited.

Other states have adopted aggressive tax incentives to bring targeted companies into their state. Maine, South Carolina, and Virginia have all enacted various tax credits to stimulate recycling. South Carolina's program offers qualifying recycling facilities a credit in the amount of 30 percent of the taxpayer's investment in recycling property.

In Minnesota, the Office of Environmental Assistance has a market development staff that assists industry in market conditions and development, provides data about products made from recycled materials, and provides referrals for financing and business plan development.

The Michigan Economic Development Corporation (MEDC) has been created to specifically attract new business to Michigan, keep business in Michigan, provide information to industry in the state, and render site location, permits, and financial assistance to businesses. The MEDC has a successful record of attracting new businesses to the state and continuing to meet the needs of these businesses.

Testimony

On the issue of landfill bans, there was almost unanimous agreement among all testifiers, through both oral and written testimony, that the state should consider additional banned items. Interestingly, at the same time that these hearings were being conducted, a joint House and Senate task force was taking testimony on how to curb the importation of out-of-state waste. Support for additional landfill bans was also a popular recommendation made by that body.

As an example of testimony on the issue of landfill bans, **Mike Garfield**, from the Ecology Center, supports expansion of the current landfill ban to include a ban on all toxic materials, and in joint testimony, members of the MUCC, MEC, and Recycling Partnership outlined a plan to ban new items from the state's landfills as a key component of an improved recycling plan for the state. **Peter Pasterz**, representing the Sierra Club, told

the Task Force that landfill bans have been shown to work with many items such as auto batteries that are banned from the state's landfills. According to **Mr. Pasterz**, "the high rate of return (98 percent) can be attributed to the fact that they are banned from landfills."

Carl Davidson, from Marshall, told the Task Force about one of the largest landfills in Michigan located in Calhoun County. He urged the Task

"The high rate of return (98 percent) can be attributed to the fact that they are banned from landfills."

-Mr. Pasterz

Force "to examine what we are putting in our landfills and determine what other materials we can recycle." He believes that this is necessary to avoid running out of landfill space.

Although there is much disagreement over whether an expansion of the state's Beverage Container Law would have an impact on litter, there is general agreement that more can be done to reduce litter around the state.

Many of those who testified expressed the thought that the state could do more to provide sanctions for those who choose to litter. Litter fines could be increased and more thoroughly enforced according to **James Clift** of the Michigan Environmental Council.

Others echoed **Mr. Clift's** comments about better statewide enforcements of the litter laws, including **Dave Colegrove**, a private citizen from Charlotte, and William Worden, of Bear Lake. Charley Fair, from Three Rivers, proposed a "stop littering" campaign that focused on stopping the problem before "it becomes a problem" and feels that the "campaign should target things like food containers, newspapers, cigarette butts and packs, and other items."

There was also discussion of other behavior modification approaches that would discourage the production of waste. **Mr. Clift** also mentioned during his testimony at the hearing in Coldwater that encouragement of a greater use of the PAYT Program in Michigan would also help to encourage recycling. This program, implemented in many areas of the state, charges consumers a per-bag fee for collection of waste and causes individuals to scrutinize those items that are placed in waste containers.

While being questioned by **Senator Brown** on the issue of how to improve recycling, **Dan Bailey**, of Martin's Super Markets, indicated that he supported the idea of the PAYT Program and felt that it was a viable option in assisting recycling rates in the state.

The Task Force also received written testimony on Ireland's Shopping Bag Program. This program, implemented in grocery stores throughout the country of Ireland, requires shoppers to pay for their shopping bags. Those who wish to use the bags pay a fee, which is used to fund recycling programs, and those who do not use other methods of taking their groceries home. This has

"Campaign should target things like food containers, newspapers, cigarette butts and packs, and other items."

—Mr. Colegrove

resulted in a 95 percent drop in the use of bags and substantially contributed to a reduction of one of the country's largest litter problems.

Attracting businesses to the state and keeping them supplied with recyclables needed to run their businesses was a key point made by people like **Karl Hatopp** of Clean Tech. **Mr. Hatopp** mentioned on two occasions that his business depends upon a ready supply of materials. More needs to be done, according to **Mr. Hatopp**, to maintain a steady supply of materials and keep businesses like Clean Tech invested in Michigan.

Such a steady flow will also help to attract similar firms to invest in the state.

Representing Recycling Works, Incorporated from Indiana, was **Chris Himes**. Recycling Works is an Indiana firm that has been in business for over 30 years. **Mr. Himes** told the Task Force that his company is successful because of the statewide effectiveness of Indiana's recycling programs. He emphasized the importance of key materials like aluminum to the recycling business.

The members of the Recycling Partnership also included in their Lansing testimony a recommendation that the state adopt new financial incentives to spur business investment and to further stimulate markets.

Findings

Like others in the country, Michigan's recycling program depends on providing a ready source for recycled goods and keeping markets for those goods viable. The stream of recycled goods must be consistent, and appropriate items made readily available for reuse. Michigan must do more to encourage this stream by enacting landfill bans and enforcement of anti litter laws to ensure a ready supply is available. There is also much that the state can do to promote an anti-litter ethic. The state must take more action to stimulate markets and business investment by firms that use recycled materials in some part of their manufacturing process.

Recommendations

1. The Task Force recommends that a ban on Beverage Containers, as defined in the Beverage Container Law, should be imposed on all landfills in Michigan. The Recycling Advisory Council should work with the information in the report made by the DEQ pursuant to HB 4393 in order to provide a recommended strategy for implementing a phase-in of additional banned items from the state's landfills.

As an important part of this charge, the Task Force recommends directing the Recycling Advisory Council to immediately consider a ban on plastic water bottles based on the data that there is a ready and available market for reusing this kind of plastic container. This ban, however, should only be imposed after adequate changes have been made in the state's recycling infrastructure to provide for an effective method of collecting and recycling these plastic containers, and to ensure that they do not add to the state's current litter problem.

Additional input in deciding what additional items are to be banned could be gleaned from studying other states, such as Wisconsin, as they have implemented their own bans.

- 2. The Task Force recommends creating a new litter-alert program that provides incentives to individuals who are aware of large scale littering actions in order to create more effective enforcement of the state's litter laws. This litter-alert program should include a toll-free hotline for reporting information on potential litter violations.
- 3. The state should take full advantage of its driver education program to teach students about the importance of not littering the state's roads and highways. An anti-litter component should be incorporated into the driver training program so that habits developed by new drivers are shaped by this anti-litter message. This program should also include information on the importance of recycling.
- 4. A comprehensive study of the state's litter problem needs to be conducted, along with the development of a model plan for identifying a profile of those who typically litter. The state should then develop an aggressive marketing program that utilizes a statewide slogan (developed in part by suggestions from Michigan school children) to reduce litter. This program should be well coordinated with the state's recycling program and its intended effects. The state should also expand its Adopta-Highway program to other areas of the state where litter is also a problem. Operation Beach Sweep is another program that could be expanded to involve more volunteers and impact the litter problem.

- 5. The state should consider new reduce and reuse initiatives, such as the PAYT program, that have worked in other venues. Other programs such as Ireland's shopping bag recycling program are innovative approaches to reducing waste that should also be considered.
- 6. The Task Force recommends working with the Office of Environmental Assistance in the DEQ, the proposed Recycling Advisory Council, and the Michigan Economic Development Corporation (MEDC) to encourage more firms like Clean Tech to invest business operations in Michigan. These organizations should be encouraged to specifically focus on attracting firms that have both novel, workable concepts using recycled goods and firms that have a demonstrated record of success in other states. Appropriate incentives could be fashioned by the Legislature to aid the MEDC in its task of locating and attracting these companies.
- 7. As part of this encouragement, a package of financial incentives should be designed to provide immediate relief to existing businesses and a new draw for business investment. Tax credits should be provided to those businesses that purchase or lease recycling equipment or who operate a qualified recycling facility.
- 8. The Recycling Advisory Council should examine modern manufacturing processes that incorporate equipment or other technology to more fully utilize recycled goods or allow for recycling of waste products. From this information, the Council should consider developing a "Best Recycling Practices" standard to which businesses in Michigan could voluntarily adhere. The DEQ's current Clean Corporate Citizen Award program could be modified to add a new category of award for those who achieve this standard.



Promoting a Renewed Emphasis on the Three Rs — Reduce, Reuse, and Recycle!

SSUE

Michigan citizens need to be reminded that recycling matters to the overall health of the state. Michigan policymakers need to place a greater emphasis on the importance of recycling and working to generate an ethic among the citizens of this state to reduce, reuse, and recycle.

BACKGROUND

Michigan's policymakers' actions to promote recycling in the state have a demonstrated ebband-flow cycle over the last 30 years. Much of the early support for recycling can be explained by the nationwide emphasis on citizen action to take the right steps at home to protect the environment. The creation and celebration of Earth Day in the 1970s helped to spark this interest, and many programs were started at the local level to embrace citizen action. Recycling became a popular activity because it could be done in the household by individuals and the family, it contributed to a sense of pride and involvement in the local community, and it linked people who recycled as a component of a nationwide program to care for the environment.

Much of the early zeal for recycling can be seen in the statewide campaign and the eventual passage of the state's Beverage Container Law. After several aborted attempts to urge the Legislature to pass such a law, the state's largest conservation organization — the Michigan United Conservation Clubs — coordinated a statewide campaign to gain passage of this law. Despite intense and well-financed opposition

from various organizations, the Initiated Law was adopted by an almost two-to-one margin.

Michigan has made significant, although not necessarily sustained, efforts to promote recycling in the state since passage of the Beverage Container Law. The Legislature created a Recycling Target Enterprise Council in 1988 to make recommendations on how to improve recycling markets in the state. More relevant to the issue at hand was Governor Blanchard's creation by Executive Order of the Recycling Promotion Advisory Committee in 1988.

Also, in 1988, the Department of Natural Resources (DNR) published its Solid Waste Policy document in which it laid out a hierarchy of managing solid waste in the state with set standards for recycling rates. This document set a desired recycling rate of 25 percent by the year 2005. There has been no revision of that target since the announcement of the document.

The state's solid waste management program contains a provision that requires county solid waste plans to include a proposal for recycling and composting. The state has also banned several different items from landfills, in part, to encourage recycling and has provided funding for local recycling projects through a state grant program.

In addition, the state has defined standards for what products may be termed "recycled," "recyclable," or "degradable." There are also standards in place to require identification of resins in plastic to aid recycling, and the state has used its own purchasing policies to require the Department of Management and Budget (DMB) to consider the purchase of products made from recycled materials.

Over the years, recycling as a practical exercise has not enjoyed consistent success in large part due to the need for consistent markets and consistent funding. While local recycling programs may be effective in collecting various materials, unless there is a ready and sustained market for those goods, recycling suffers. Surpluses of materials can mount, and unless other more marketable materials as well as local funding supplement the operations of recycling programs, these centers often close down or limit their operations.

According to data gathered by the Michigan Recycling Coalition in the late 1990s in a survey of municipalities, townships, and villages, Michigan's recycling rate was 20 percent, ranking the state well below the target of 25 percent set in the DNR target of 1988, and even farther below the rate of the Great Lakes region (26 percent).

Michigan does not currently have a statewide strategy for improving recycling. Although Governor Granholm has announced her desired rate for recycling to be set at 40 percent, no specific plan has yet to be offered to achieve that rate.

Observers have noted that one of the most important components in any successful state recycling plan is education and the promotion of a recycling effort. Research conducted by the Legislative Service Bureau, Science and Technology Division, indicates that many states have taken action to promote this ethic, providing Michigan policymakers with a number of options to consider.

MAINE — The Department of Environmental Protection sponsors the "Maine Recycles Week," an annual campaign to inform and educate Maine residents, schools, and businesses on the value of recycling and buying recycled products. Year round, the department provides education and presentations to the public on waste reduction and recycling.

MINNESOTA — The Office of Environmental Assistances conducts a statewide education campaign focused on waste reduction — "Reduce Waste: If Not You, Who?" The waste reduction campaign will continue in 2002 and 2003. In

addition, counties use funds from the state to conduct educational programs for their residents.

NEW YORK — Funds granted to local recycling coordinators may be used for educational campaigns. Recycling coordinators' duties include developing and distributing recycling education materials and conducting public outreach. New York does this with no apparent statewide educational campaign.

OREGON — Oregon's recycling program requires that local units of government provide an "Opportunity to Recycle" to residents. This program includes educational information that targets community and media events to promote recycling. The Department of Education, in cooperation with the Department of Environmental Quality (DEQ), integrates a recycling and waste reduction component into a required curriculum for all Oregon students in grades K-12. The DEQ provides statewide promotion, education, and technical assistance to local government units and schools in waste management regions to increase participation in recycling.

began as the silent logo of the South Carolina Department of Health and Environmental Control, Office of Solid Waste Reduction and Recycling in 1992. Starting with three public service announcements broadcast throughout South Carolina, The Recycle Guys have grown to include 20-plus spots and thousands of television appearances educating the public about recycling.

The Office of Solid Waste Reduction and Recycling has four main programs in its education repertoire, including a K-12 curriculum to aid teachers in introducing basic environmental education in the classroom, a comprehensive energy education program, a program targeting high school driver education students providing an overview of the environmental impact of driving, and an activity-based program designed to help students learn about the important role trees play in our environment and economy.

Earth Today is a half-hour program that features student anchors and reporters in a network morning news format. The program provides segments on a variety of environmental issues including air and water quality, energy conservation, recycling, and litter prevention.

Local governments use grants from the Solid Waste Trust Fund to establish education programs.

The Michigan Environmental Education Act found in the Natural Resources Environmental Protection Act (NREPA) sets as a purpose of the act "to allow citizens of the state to understand and appreciate the significance of the natural resources of the state and to provide them with appropriate information in order for them to make informed decisions." There is no specific reference in this act to work to establish the promotion of a recycling ethic in the state, but the Statewide Recycling Coordinator's job involves some promotion of recycling.

In addition, the DEQ's Statewide Recycling Coordinator works to help promote recycling campaigns in the state. There are a number of recycling organizations established outside of state government whose mission it is in part to help promote a recycling ethic among the citizens of the state.

Testimony

The Task Force learned early in its deliberations about the importance of education and the role that it can play in an effective recycling program. Curt Kemppainen, of Kent County's Public Works Department's recycling program, concluded his oral testimony at the first hearing in Grand Rapids by urging the Task Force to "note the importance of public education. We have taken several efforts in Kent County to educate and raise awareness including a program that takes phone books and turns them into insulation, that is then donated to the Habitat for Humanity program."

The Task Force noted the pride that **Mr. Kemppainen** took in this part of the county's program and realized how promotion of a program that works with recyclables to create products to give back to the community instills pride and reinforces recycling.

Another example of similar community pride and promotion was provided to the Task Force at the hearing in Sault Ste. Marie by Chippewa County's recycling director, **Cal Lofdahl**. **Mr. Lofdahl** talked about the program's hiring of both mentally and physically challenged persons and how the community has come to appreciate the program

"Start with education and teach the children about recycling."

-Mr. Moore

for not just its success in recycling but in providing meaningful employment opportunities.

When asked about other direct education programs that the county conducts, **Mr. Lofdahl** explained that tours and local promotions done in schools and with other groups have also helped to promote recycling.

The Task Force had the opportunity at the same hearing to hear from Chippewa County Commissioner Richard Timmer, who told about the kind of programs done in local schools to promote recycling. Mr. Timmer explained that he has had two daughters who have been named "Recycling Captains" in their school and that the role of these "Captains" is to teach the younger kids in the school about the importance of recycling both at school and home.

Several examples of the pride that a family can take in recycling and the efforts to educate others was given in both written and oral testimony to the Task Force, reminding them that the ethic of recycling often starts in the family.

Greg Moore, of the Pepsi Bottling Group, urged the Task Force "to start with education and teach the children about recycling."

Peter Pasterz, from the Sierra Club, told the Task Force simply and directly "there is no doubt the importance of education in having a successful

recycling program in Michigan. Strong, unbiased, and focused programs to educate will facilitate recycling in this state."

The very unique conditions of running a recycling program on Beaver Island were highlighted for the Task Force by **Bill McDonough**, President of McDonough's Market on Beaver Island. **Mr. McDonough** said that Beaver Island has a very effective recycling program and recycles at a 40 percent rate. He explained that education and the public's attitude toward recycling have really made a difference.

Another role of education was discussed by **Mark Clevey**, from the Small Business Association of Michigan, at the Lansing hearing in his statement on the importance of people needing to be more aware of the kind of materials that are produced. **Mr. Clevey** told the Task Force that "if we pay closer attention to the production of materials, we could do a better job of managing the outcome."

According to several of those who testified, Michigan's solid waste management policies have helped to discourage the recycling ethic by making it cheap and convenient to throw waste away rather than having it recycled. These same disposal rates have also helped to make Michigan a dumping ground for other states' wastes. Changing the ethic from "throw away" to "recycle" will cause a reprioritization of the state's approach to waste.

Findings

The pride that many take in engaging in the practice of recycling is evident to the Task Force. It is also clear that much of this is due to action at the local level that has helped to stimulate pride in the community for the role it plays in helping to keep waste out of landfills and off roads and streets and provide materials for reuse. The state can certainly play a greater role in helping to promote this sense of pride and involvement in recycling.

Recommendations

1. The Task Force recommends that the Recycling Advisory Council study examples of other successful local and statewide media campaigns

- and develop an educational campaign that promotes an ethic to reduce, reuse, and recycle. This campaign should focus heavily on the need to educate our children about the value of recycling.
- 2. There should be a specific focus on combining this recycling education campaign with the anti-litter campaign proposed in this report. Effective recycling and litter control go hand in hand, and a consistent statewide message could be well coordinated. A prime example of such a coordinated program would be the development of a component of the state's driver training program focused on litter reduction and recycling. Unique opportunities such as these to teach the youth of Michigan about preserving the beauty and health of the state's natural resources must be fully utilized.
- 3. The Michigan Environmental Education Act should be amended to require specific instruction to the Environmental Education Coordinator to help distribute recycling materials to schools in the state. The Statewide Recycling Coordinator should have a significant role in this duty.
- 4. The Legislature should consider the creation of a statewide media campaign to recognize and reward novel and successful recycling practices. A special category of award could be created for school children who exemplify model recycling practices.
- 5. The Legislature should create a new Environmental Education Grant Program for teachers who implement recycling education into their science curriculum. Grant funds could come from a small portion of the revenue in the waste surcharge proposed in this report.
- 6. A preferred waste management strategy similar to the one published by the DNR in 1988 should be placed in statute to clarify the importance of reducing, reusing, and recycling as first-choice alternatives to landfilling. The Recycling Advisory Council should conduct a review of all solid waste management programs in Michigan law and make recommendations for revisions in order to encourage recycling.



A History of Efforts and a Need for Change

SSUE

There is a great divergence of opinion regarding the impacts of Michigan's Beverage Container Law, ranging from impassioned support for its effect on litter control and recycling of certain items to concerns about its impact on businesses and the consumers they serve.

BACKGROUND

Michigan's Beverage Container Law was passed as a citizen-initiated law in 1976. Prior to its passage, there had been numerous unsuccessful attempts in the Legislature to pass a beverage container law. Citizen support coordinated principally by the Michigan United Conservation Clubs led to placement of this proposal on the ballot, resulting in passage by a significant margin in 1976.

Michigan is 1 of 11 states that currently have some form of a law that requires that a deposit be placed on various beverage containers in order to encourage recycling of those containers. The other states that have similar laws are California, Connecticut, Delaware, Hawaii, Iowa, Maine, Massachusetts, New York, Oregon, and Vermont.

The law, as originally passed, included beer and carbonated beverages but was later amended to include wine coolers and mixed spirits bottles. The law was passed in large measure due to recognition of a statewide litter problem, and there have been several significant ongoing benefits of this important law. Implementation of this law led to a marked reduction in litter found along the state's roadways, rivers, and

streams, and other public places. According to a study conducted by the Public Sector Consultants in 1986, beverage bottle litter was reduced by 90 percent in the first full year following implementation. As an additional consequence, there has been a substantial amount of beverage containers diverted from the state's landfills, with an estimated 216,186 tons of solid waste diverted in 2001 due to the deposit law according to the Michigan Recycling Coalition.

The 1986 Public Sector Consultants' report also found that because consumers are required to pay an additional 10 cents for each container purchased, there is a significant incentive to recycle these containers. Recycling rates for aluminum cans are consistently higher in those states that have deposit laws, with rates typically doubling those found in nondeposit law states. Finally, the same 1986 Public Sector Consultants report suggested that employment in the beverage industry increased after enactment of the law.

An important problematic feature of the current law is the method for distribution of the proceeds from the fund that receives deposit dollars not claimed by consumers (unclaimed bottle deposits). There are those who believe that a greater percentage of the Unclaimed Bottle Deposit Fund should be distributed to dealers and distributors that have incurred significant costs to implement the Beverage Container Law. After a lengthy challenge to whether the state had the right to collect unclaimed bottle deposits, which the state won in a Michigan Court of Appeals decision, the Michigan Legislature provided for a new method of distributing these deposit dollars. The current division distributes 25 percent to retailers and

75 percent to the Cleanup and Redevelopment Trust Fund. The law allows for a percentage of the funds going into the Cleanup and Redevelopment Trust Fund to be available for immediate distribution rather than waiting for a specific accumulation level. According to various reports, the total amount available in the Cleanup and Redevelopment Trust Fund as of September 2002 was \$153.8 million.

Though the Beverage Container Law remains very popular among the citizens of the state, there have been problems reported with its implementation and administration. Retailers have reported increased costs, health concerns for employees who have to handle used beverage containers, fraudulent redemption of containers, and an impact on sales for retailers and distributors who are located near other states that do not have a bottle deposit law. Although the law requires those who sell beverage containers to redeem those containers, the law does provide for the specified use of redemption centers, the opportunity to refuse certain containers, and a partial reimbursement of dollars for retailers to help cover their costs as a way of addressing some of these problems. However, in the minds of many retailers and distributors and, frequently, the customers they serve, more needs to be done to address these problems.

Testimony

It was generally expected by the Task Force members that one of the most visible environmental laws in Michigan would receive a significant amount of attention during the nine public hearings. Since Michigan consumers have a regular exposure to this law through their trips to the local grocery store to return deposit containers, there is great familiarity with some of the effects of the Beverage Container Law. Consumers often see it as a benefit to both litter control and recycling. The Task Force members took a significant amount of testimony on the effects of the current Beverage Container Law. Much of the testimony came from individuals who had witnessed firsthand effects of the law as it was passed in 1976.

In written testimony submitted to the Task Force, **Arlene Westhoven**, an instructor from Ferris State University, commented that the present law has decreased litter, made the consumer more conscious of waste and the need to recycle, and has also encouraged more recycling.

John Veenstra testified before the Task Force in Lansing by saying that he "has the perspective of seeing the litter problem before the deposit law was enacted, immediately after the enactment," and now sees "litter again with the introduction of . . . new-age containers."

During testimony at Oakland University, **Elizabeth Harris**, from the East Michigan Environmental Action Council, asserted that the *bottle bill* is both effective and popular among the people of Michigan. She has seen evidence of its

"The perspective of seeing the litter problem before the deposit law was enacted, immediately after the enactment," and now sees "litter again with the introduction of . . . new-age containers."

—Mr. Veenstra

impact on the state's beaches and roadsides and that "there was an 80 percent drop in litter within eight years after the law took effect."

James Bull, President of the Detroit Chapter of the Audubon Society, worked on the initial bottle bill in the 1970s and emphasized that there is a great amount of support for both the current bottle bill and for expansion. He noted that the public has seen the positive effects of the bottle bill. Numerous others made similar comments about the positive effects of the law, mentioning that the law has taught them a general recycling ethic and that it has had ongoing benefits in keeping the state clean.

In addition, the hearings also brought to light a significant amount of concern among both

consumers and business persons that the law has had its negative effects as well. Consumers have felt these adverse impacts in various ways. During the Coldwater hearing, Clayton Coward, a private citizen from Quincy, told the Task Force that as an employee at a local grocery store, he was exposed to "the dirt and filth that came from having to manually sort the returned containers." These containers are often found in areas of the store that are close to food and that to avoid contamination many stores have had to invest heavily in equipment that mechanically sorts the containers.

Also appearing at the Coldwater hearing, Laura Dirschell, a private citizen from Coldwater, expressed some of the problems she has had with the law. Although she is an avid recycler and believes in the need to keep these containers out of the waste stream, she has had problems with the machinery that is used to recycle the cans and bottles. Unless the equipment is improved, she sees continued problems with the law, particularly if it were expanded.

John Anthony LaPietra, from Marshall, said he sympathized with the store owners because "as an everyday consumer and recycler, I have limited space to store my own empty containers, and I can see how store owners would have problems with this law."

Others commented that they support recycling and see the Beverage Container Law as a component of a larger recycling program for the state. These individuals expressed their hope that the materials diverted from recycling centers because of the Beverage Container Law do not take away from the effectiveness of recycling around the state.

The most dominant negative concerns about the Beverage Container Law came over and over again from those business persons who have had to implement and administer the law. Retailers, distributors, and those who represent them told of significant problems with the costs of the program, food safety issues, fraudulent redemption, and the impacts on their profitability.

Judging from the frequency and intensity of their comments, these people feel just as passionate

about the problems with the current law as those who support it. A sampling of their remarks highlights this frustration:

Mike Lazarov, owner of Orchard Park Foods,—
"We have an 1,100 square foot store and cannot
afford the cost of reverse vending machines to handle
empty containers, and because of that, a large part of
our store is devoted to collection and sorting."

"As an everyday consumer and recycler, I have limited space to store my own empty containers, and I can see how store owners would have problems with this law."

-Mr. LaPietra

Dennis Shaffer, of Jack's Family IGA in Union City, — "I am here as a matter of survival. The current Beverage Container Law has cost my store over \$15,000 to date in equipment, labor, and garbage service. I have had problems with rodents, ants, and other waste as a result of the law. Grocery stores should not have the burden of being a garbage service at the cost that would put many independents out of business."

Gary Davis, of Tom Davis and Sons' Dairy, expressed his concerns as a distributor — "Although we are in the dairy business, we also distribute 138 different kinds of items to schools, hospitals, and universities, and combining fresh dairy products with used beverage containers has caused me concern." A similar concern was expressed in written testimony submitted by the Gordon Food Service Company in their comments on the complexity of even the current distribution scheme. The company estimates that they expend approximately 4.4 cents per container in their handling of the containers under the current system and that these costs would increase to as much as 8 cents per container under an expansion.

Mr. LaLonde, of LaLonde Markets, — "I have been in the grocery business for 45 years, and to this day, I still need to sort bottles manually. I want to be a grocer again, not a bottle sorter."

Don Jacobi, a representative of the 7-Eleven food stores, talked about the pest issue — "Our stores need monthly pest control to manage the problem, and during my career, I have been cut by broken bottles." He also indicated that cross contamination of foodstuffs is "a constant struggle."

Finally, increased prices, overredemption, and fraudulent redemption of beverage containers are a drain on businesses for people like **Sean Kennedy**, of Polly's Food Services, — "Sales of pop and beer are less than average due to the proximity to the Ohio border. Our store overredeems, which has a ten-fold effect on our business."

Roger Boyd, then-President of Market House in Hillsdale, told the Task Force at the Adrian public hearing about illegal returns coming to his store from out of state. "We had one incident where over 500 cans were brought up from Ohio to be returned. The Hudson Police were called in, and the offenders were arrested and the truck impounded." According to Mr. Boyd and others who have businesses along the border, fraudulent redemption is an ongoing problem.

Findings

There is widespread support among many citizens of Michigan for the state's current Beverage Container Law. These citizens view this law as a litter control and recycling measure that is highly effective. There is also an expressed interest in expanding this law to include noncarbonated beverage containers.

The counterpoint is that there have been serious consequences for businesses and others who have had to implement the program. Any expansion to include new items, without an

underlying change to the administration of the program, would have a significant long-term cost impact on retailers, distributors, and the customers they serve.

Recommendation

1. There is strong support statewide to maintain the general purpose of Michigan's current Beverage Container Law. It is evident that some modifications should be considered to minimize or eliminate negative impacts on the dealers and distributors to provide a stronger foundation for any expansion.





Its Impacts on Litter Reduction and Recycling

SSUE

There is a general consensus that the Beverage Container Law has historically had a significant impact on litter reduction in the state, but there are mixed opinions about its potential impact if it were to be expanded. The Beverage Container Law is also generally considered to be a very successful tool in the recycling of these containers. However, there is disagreement over the kind of impact it has had on the state's overall recycling program.

BACKGROUND

Michigan voters supported passage of the Beverage Container Law in 1976 primarily as a way of reducing a very visible litter problem around the state. As a result of implementation of this law, in a study conducted by Public Sector Consultants found that beverage container litter was reduced by 90 percent in the first year after the law took effect.

It is generally regarded by most observers that the law has had and continues to have a significant impact on reducing litter of redeemable containers and has contributed to other positive changes to Michigan's solid waste management efforts. According to a report done by the Michigan Recycling Coalition in 2001, an estimated 216,186 tons of solid waste (approximately 1 percent of the state's waste stream) were diverted from Michigan landfills due to the deposit law.

Other states have also adopted beverage container laws in reaction to widely evident litter control problems. Delaware, Massachusetts, New York, Oregon, California, and, most recently, Hawaii are among those states that have adopted a Beverage Container Law in reaction to a demonstrated litter problem. Although Hawaii's program is too new to provide results for its impact on litter, other states have reported similar successes in litter control.

Advocates for expanding Michigan's law cite evidence of a mounting litter problem with new-age noncarbonated beverages that are not now covered under the law. Although some evidence of the state's litter situation is available through beach cleanup reports, the last comprehensive litter study was conducted in 1986.

Michigan's Beverage Container Law began as a cleanup tool for the state's litter problem, but it has proven to be a very effective method of recycling glass and aluminum cans. The materials recovered by the program more often than not are free of contaminants, are well-sorted, and are made available for use in large quantities. According to a report by the Container Recycling Institute in 2002, states with a beverage container law recycle aluminum cans at a rate between 70 and 95 percent, compared with a national average for aluminum cans of 40 percent.

Many observers have noted that though this program has provided significant results in both litter control and recycling, the costs to administer this program compared with the amount of recycling it provides to Michigan's overall recycling program are extraordinarily high. A study conducted by Businesses and Environmentalists Allied for Recycling, produced a report in 2002 indicating that "traditional deposit programs have the highest gross costs." Figures

provided by both business and environmental groups indicate that beverage containers represent between 1 and 5 percent of the waste stream. In a study provided by the Northbridge Company, expansion of Michigan's Beverage Container Law would yield only about one-half of 1 percent increase in the state's recycling efforts.

In a study by the Institute for Applied Research released June 10, 2003, Daniel Syrek writes that there is a significant cost in relying upon the state's Beverage Container Law as a method of reducing litter. The use of the Beverage Container Deposit Law as a state method of controlling litter was the most expensive of the five litter control programs cited (paid, targeted advertising, Adopt-a-Highway, comprehensive litter control, paid litter pickup, and beverage container deposits). In addition, there are serious questions about the effectiveness of the program on the state's overall litter problem. Mr. Syrek maintains that the beverage container deposit program does change littering behavior but only in regard to beverage containers. It has little impact on nonbeverage container littering behavior. Mr. Syrek concludes, from a national perspective, that even without deposits, less than 3 percent of all containers end up as litter.

Others have disputed these claims asserting that these numbers are based on percentage of weight of the waste stream and that if an assessment was made based upon volume, impacts on recycling rates would be much higher; however, no volume estimates were provided to the Task Force.

Testimony

There is no doubt that the issue of the Beverage Container Law and its impact (both current and under an expanded format) on litter received an extremely significant amount of attention by those who testified at the nine public hearings.

The Task Force was fortunate to hear from a number of individuals who were present at the time of the passage of the original Beverage Container Law in 1976 and heard of the "before and after" story of this law. One such individual

was **Mr. Cary**, from the West Michigan Environmental Action Council, who has been in his words "a private citizen-volunteer since 1967."

Mr. Cary is currently retired and spends much of his time canoeing and observing Michigan's litter. He said that he was actively involved in the passage of the *bottle bill* and helped to draw attention to the litter problem in Michigan with the use of "Canathons" in which cans were collected along the roadsides to show what a positive contribution a beverage container law would have. Mr. Cary believes that it has been a highly successful litter control law and that there are "three new culprits" in the litter stream — sports drinks, noncarbonated sweetened beverages, and water bottles."

Another example was cited by **John Stout**, a private citizen from Grand Rapids, who is a hunter and fisherman and who witnessed the state's litter problem in the early 1970s and, as a result, advocated for passage of the original

"Three new culprits" in the litter stream — sports drinks, noncarbonated sweetened beverages, and water bottles."

—Mr. Cary

bottle bill. **Mr. Stout** saw the successes of the original law but does not consider the new containers as much of a problem as trash bags.

Sam Washington, Executive Director of MUCC, told the Task Force about his involvement with the original Beverage Container Law and his work in helping to collect the 400,000 signatures for the initiated law. Mr. Washington viewed the original law as a very effective way of controlling litter and stated his belief that Michigan now has a new litter problem.

Rod and Dorothy Merchants, private citizens from Ithaca, submitted written comments telling the Task Force that the current bottle deposit law is very effective as it is right now in controlling litter and that it should not be weakened.

The **Collins** family, from New Boston, sent a letter to the Task Force asking that the Beverage Container Law be expanded to "help clean up the environment." **Art Couveror**, a private citizen from St. Clair Shores, also sent in similar comments saying that he "travels every year to Arizona and does not want to see Michigan's roadsides look like Arizona's."

Twenty students, from the John F. Kennedy Elementary School in Manistee, submitted letters urging expansion of the law to help keep our state clean.

Elizabeth Harris, from the East Michigan Environmental Action Council, told of the early successes of the law by stating that the litter study conducted in 1986 showed an 80 percent reduction in litter. Ms. Harris asserted that "the bottle bill is both effective and popular."

Others, like **Mr. Stout**, questioned the real nature of the state's so-called litter problem. This thought sparked debate by various Task Force members who wanted to know on what evidence people were basing their claims about a litter problem. As an example, when asked by **Senator Brown** how he knows that the containers are a litter problem. **Mr. Washington**, from the MUCC, replied that he and others can tell by simply looking at the state's roadsides.

Several suggested that the state's litter problem was more a result of newspapers, trash bags, and cigarette butts and that any proposed expansion of the Beverage Container Law would not take care of this kind of problem. **Charley Fair**, from Three Rivers, told the Task Force that when he "walks along the roads, most of the litter is fast food containers and paper products."

There appeared to be no recent objective statewide assessment or thorough study of the state's litter condition other than certain regional reports and anecdotal evidence from citizen volunteers. During his testimony, **Bill Lobenherz**, from the Michigan Soft Drink Association, suggested that there was a need for a comprehensive litter study. In response, **Senator Brown** suggested that perhaps the Adopt-a-Highway groups could help to track

litter in the state to which **Senator Birkholz** added comments on the success of Operation Beach Sweep.

Discussion also focused on the role that the Beverage Container Law plays in recycling. There were several schools of thought presented on this issue with some maintaining in the words of **Ms. Harris** "that the Beverage Container Law is recycling." Others supported the notion that it is and can be an effective component of the state's overall approach to recycling, while others believed that it detracts from a good recycling program.

James Clift, of the Michigan Environmental Council, in expanded testimony at the Coldwater hearing told the Task Force about the great impact that the law has had on aluminum can recycling. "At the time the law was enacted, only about 5 percent of aluminum cans were being recycled. Between 1970 and 1990, that number increased to 60 percent" and that even with the growing popularity of curbside recycling around the country, the amount of aluminum cans being recycled actually decreased. He concluded that the Beverage Container Law was a much more effective way of recycling aluminum cans.

Also, in expanded testimony, **Pat Franklin**, from the Container Recycling Institute in Virginia, recounted the recycling successes of various state bottle deposit laws and gave an explanation of the other benefits to the environment when a container is effectively recycled. "Even though these containers may represent less than 3 percent of the waste stream in Michigan, avoiding landfilling of these containers saves the production of greenhouse gases and allows us to avoid the production of a new item." She countered the criticisms of some who claim that these bottle bills are merely a duplication of the recycling system by saying that "they are two good programs that are not mutually exclusive and have the potential to coexist."

John Anthony La Pietra, a business man from Marshall, encouraged the state to consider an expanded bottle bill and recycling as part of a comprehensive recycling program. In his mind, he "does not see the bottle bill and recycling as mutually exclusive or a zero sum gain." Phillip Mitin and the Kaplan family submitted e-mails to

Senator Brown and asserted that they support both a recycling program and the *bottle bill* in Michigan. Finally, Mary Beth Doyle, of the Michigan Ecology Center, emphasized that "Michigan does not have to choose between expansion or recycling because both can be done," and she does not believe that expansion is a barrier to recycling.

Others believe for a variety of reasons that the Beverage Container Law detracts from recycling. **Tom Hill**, from Super One Foods, and **Jeff Bottum** submitted e-mails that voiced their opposition to the Beverage Container Law urging the Task Force to move to a more statewide comprehensive program.

Gary Powers, of Powers Distributing, asserted that the Beverage Container Law "takes 50 to 70 percent of the scrap value away from recycling, reducing its economic viability." Karl Hatopp, from Clean Tech, concurred with this thought by saying that companies like his are constantly looking for more sources of curbside plastics and that an expansion of the current law would hurt his business because less plastic would be available to them. It should be noted that Delaware's Litter Control Act specifically exempts aluminum cans from the state's 5-cent deposit requirement. This exemption was negotiated in order to keep aluminum a component of the state's voluntary recycling program.

Bill Lobenherz focused on the costs involved with the Beverage Container Law and told the Task Force that the costs of expanding the law are estimated to be \$60 million and if "you're going to invest \$60 million, it would be better spent on a comprehensive recycling program that would mean a much greater increase in recycling rates" and, thus, more benefit to the people of the state.

Findings

The Task Force finds that the Beverage Container Law is popularly viewed as a successful program to help control litter and direct certain glass and aluminum cans into a ready source for recyclers and processors. Yet, there is a need for more substantiation of the purported litter problem before an expanded program's impact on the problem can be assessed.

In addition, although the program is an effective component of the state's recycling efforts, there may be more cost-effective ways of improving the state's recycling rates than expanding the current program.

Recommendations

- 1. The Task Force recommends that a portion of the funds in the Recycling Works! Fund be used to underwrite the costs of a comprehensive statewide litter survey in which volume, type, and other important components of litter would be identified.
- 2. The Task Force further recommends that programs such as the state's Adopt-a-Highway, Adopt-a-Shoreline, Adopt-a-Park, and Adopt-a-Forest could all be used more effectively to provide an ongoing source of information on the state's litter problem. The reporting forms used by Adopt-a-Highway groups could be modified and made available to organizations that participate in other Adopt-a-Resource programs. Information taken from these forms should provide a regular source of data about the status of our litter problem in Michigan.
- 3. Although the recycling rates reported under the Beverage Container Law are extraordinarily high, the Task Force believes that there are more costeffective ways to increase recycling. A cost-benefit analysis should be conducted by the Recycling Advisory Council to confirm this supposition. The Task Force concludes, particularly given the current economic condition of the state, that it is wisest to invest in methods that provide the greatest increase in recycling rates.
- 4. The Task Force also suggests that as recommendations of this report to expand recycling are implemented, information be gathered to more fully determine if the current Beverage Container Law does detract from greater success of a comprehensive recycling program (by diverting valuable recyclables such as aluminum cans).



Its Individual Impacts on Dealers and Distributors

SSUE

Though there have been significant successes with the Beverage Container Law, there have been equally significant problems presented to those businesses that have had to implement the law. These problems include necessary investment in equipment, increased costs associated with employee and food safety, overredemption, fraudulent conversion of containers, and increased prices for the consumer.

BACKGROUND

The Beverage Container Law has mandated that retailers, distributors, and manufacturers in the state make significant changes to their business operations in order to implement the law.

Among the most critical parts of this mandate to businesses are found in MCLA 445.572 and are cited as follows:

- "(1) A dealer within this state shall not sell, offer for sale, or give to a consumer a nonreturnable container or a beverage in a nonreturnable container.
- (2) A dealer who regularly sells beverages for consumption off the dealer's premises shall provide on the premises, or within 100 yards of the premises on which the dealer sells or offers for sale a beverage in a returnable container, a convenient means whereby the containers of any kind, size, and brand sold or offered for sale by the dealer may be returned by, and the deposit refunded in cash to, a person whether or not the person is the original customer of that dealer, and whether or not the container was sold by that dealer.

- (3) Regional centers for the redemption of returnable containers may be established, in addition to but not as substitutes for, the means established for refunds of deposits prescribed in subsection (2).
- (4) Except as provided in subsections (5) and (7), a dealer shall accept from a person an empty returnable container of any kind, size, and brand sold or offered for sale by that dealer and pay to that person its full refund value in cash.
- (5) A dealer who does not require a deposit on a returnable container when the contents are consumed in the dealer's sale or consumption area is not required to pay a refund for accepting that empty container.
- (6) Except as provided in subsection (7), a distributor shall accept from a dealer an empty returnable container of any kind, size, and brand sold or offered for sale by that distributor and pay to the dealer its full refund value in cash.
- (7) Each beverage container sold or offered for sale by a dealer within this state shall clearly indicate by embossing or by a stamp, a label, or other method securely affixed to the beverage container, the refund value of the container and the name of this state. A dealer or distributor may, but is not required to, refuse to accept from a person an empty returnable container which does not state on the container the refund value of the container and the name of this state. This subsection does not apply to a refillable container having a refund value of not less than 10 cents, having a brand name permanently marked on it, and having a securely affixed method of indicating that it is a returnable container. (8) A dealer within this state shall not sell,

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offer for sale, or give to consumers a metal beverage container, any part of which becomes detached when opened.

(9) A person, dealer, distributor, or manufacturer shall not return an empty container to a dealer for a refund of the deposit if a dealer has already refunded the deposit on that returnable container. This subsection does not prohibit a dealer from refunding the deposit on an empty returnable container each time the returnable container is sanitized by the manufacturer and reused as a beverage container.

(10) A dealer may accept, but is not required to accept, from a person, empty returnable containers for a refund in excess of \$25.00 on any given day.

(11) A manufacturer licensed by the commission shall not require a distributor licensed by the commission to pay a deposit to the manufacturer on a nonrefillable container. However, a manufacturer licensed by the commission and a distributor licensed by the commission may enter into an agreement providing that either or both may originate a deposit or any portion of a deposit on a nonrefillable container if the agreement is entered into freely and without coercion. (12) A manufacturer shall refund the deposit paid on any container returned by a distributor for which a deposit has been paid by a distributor to the manufacturer. (13) Subsections (4), (6), and (7) apply only to a returnable container that was originally sold in this state as a filled returnable container."

This law has required significant changes at various levels in the chain of the redemption process. The Michigan Recycling Partnership (MRP) estimates the net cost of Michigan's deposit law to be 4.4 cents per container, after subtracting the revenues derived from the sale of the aluminum, PET, and glass for recycling. The MRP estimates about two-thirds of the net cost is borne by the retail community, and the other one-third by the bottler/distributor community. This MRP cost estimate was developed in a 1996 deposit law study done for the MRP by Jacob Miklojcik of Michigan Consultants.

Mandated by law to accept the empty containers, retailers were forced to designate space in their facilities or on their premises. Adequate labor needed to be hired to maintain the area and manually sort the returns. As consumers began returning containers to the stores, sanitation issues developed due to the residue and/or unhealthful, foreign contents of the containers. This caused retailers to increase the use of pest control agents and cleaning solutions in an effort to reduce the contamination finding its way into food stores. In order to remove the containers from the stores, logistical costs were borne by retailers who needed to store the items before vendors or third party providers would be available to pickup the returned containers. As technology advanced, reverse vending machines were installed in larger grocery stores, reducing some labor costs. However, the costs to purchase, maintain, and replace worn equipment are significant. Medical costs have also been incurred as a result of bottle-room injuries.

In addition to the impacts on dealers, there have also been significant impacts on distributors. Many people seem to realize the retailer has costs associated with the deposit law, but the additional costs to the distributor seem to be not as well known, probably because they are not quite so visible. The largest part of this cost is in transportation. Under the current Beverage Container Law, distributors are obligated to maintain a distribution network that covers the entire state.

It is estimated that the bottle return pickup responsibilities of a distributor under the current deposit law require an additional 20 to 30 percent increase in transportation fleet costs. Not only does this mean more capital costs for the equipment but also fuel costs, driver costs, maintenance costs, and space costs. Trucks often have to devote space to pickup empty containers when making deliveries to a store and, thus, are not able to utilize their full capacity for deliveries on their routes. This results in a need for additional routes, trucks, mileage, and drivers. Drivers also have to take more time per

store because of the backhaul responsibilities. In addition to the loading time, there is added paperwork time, unloading time, and occasionally time needed to rearrange the truck contents to accommodate the empties.

When the trucks arrive back at the warehouse, they must be unloaded and the materials dumped out of bags or other containers and transferred to

> Six main challenges posed by both the current law and any proposed expansion: costs to the consumer, food safety and sanitation, logistics, recycling feasibility, homeland security, and deceptive taxation.

> > -Mr. Breslin

storage (an equipment, space, and personnel cost) or baled/shredded/crushed on site (equipment, space, and personnel costs) and then stored in preparation for transport to a recycling facility. If the materials are initially transported to a remote location (instead of the warehouse), then the distributor has to pay someone else to do the baling, etc., but all of the space, personnel, and equipment costs are still present.

Additionally, stores often do audits to try to determine if they have received all of the "dimes" to which they are entitled. With a large chain store handling up to 10 million redemptions annually, this can add up to a huge investment. The "person hours" spent with the reconciliation of audits and claims for "dimes" can be enormous. The distributors also do audits because when dealing with this magnitude of dimes, there will be fraudulent activity ranging from stealing a bag of empties so they can be reredeemed to sophisticated schemes between drivers and store personnel, even between stores, to duplicate the "dimes."

Cleanliness and the costs associated with it are also added costs to the distributor. The

containers drip in the store, they also drip inside the trucks, back at the warehouse, and in the staging areas before transport to a recycler.

There are also costs associated with the bottling operations. Separate can lids have to be ordered, and thus, the price is not as favorable as if all lids were made uniform across the nation. When filling is done for delivery to a "nondeposit law" state, the filling line has to be shut down, and a different can lid started. Then, the separate inventory has to be maintained, and care must be taken that there are no mistakes in destination. For plastic containers, where "MI 10 cents" is applied by ink jet, there are the incremental costs of equipment, ink, and inventory logistics.

Testimony

Public hearings often provide a real outlet for venting of opinions and frustrations over state policies. The Task Force certainly found this to be the case with a large number of grocery store owners, distributors, processors, manufacturers, wholesalers, and others who have been directly impacted by the Beverage Container Law.

In every one of the nine public hearings, as well as in many of the written communications submitted to the Task Force, frustrations over the problems borne by these businesses were expressed. The Task Force sensed a strong commitment to following the law but at the same time "a real call for help" from businesses that are impacted by the Beverage Container Law.

Beginning with the hearing in Grand Rapids, Mary Dechow, from Spartan Food Stores, assessed the net annual cost to businesses to implement the law at \$189 million, and Brian Breslin, from Meijer, told the Task Force that there were six main challenges posed by both the current law and any proposed expansion: costs to the consumer, food safety and sanitation, logistics, recycling feasibility, homeland security, and deceptive taxation. All presented significant problems for an industry that has attempted to be responsible and to comply with the law.

Other general comments on the dilemma of food stores were made by **Mike Sarafa**, from the

Associated Food Dealers of Michigan. **Mr. Sarafa** told the Task Force at the hearing at Oakland University that independent stores are being squeezed from every angle and that they do not

"The dirtiest part of my store is in the bottle returns area, which is very close to the produce and meats section. We have had chewing tobacco, kerosene, and gasoline found in containers which shows that some of our customers are not washing out their containers."

-Mr. Rich

have the advantages of larger stores. **Mr. Sarafa** indicated that though they are at a disadvantage, they "are still adapting and competing."

Many repeated the theme that grocery store owners should be allowed to focus on what they do best — to sell groceries and not have to collect and process materials that might impact food safety. **Mr. LaLonde**, of LaLonde Markets, told the Task Force that he has been in the grocery business for 45 years and, still to this day, he has to sort the bottles and cans by hand. "I want to be a grocer again, not a bottle sorter," he said.

On specific floor space costs to the grocery store owner, many smaller stores presented testimony that demonstrated an already significant cost would increase dramatically if expansion were to take place. Ms. Pamela Fetters, owner of Woodstock Wine and Cheese, described the size of her store as a relatively small establishment where currently one-fifth of her floor space is devoted to bottle returns. Not only does the redemption area take up valuable floor space but, at the same time, it causes potential food safety problems.

Ms. Michelle Verduce, owner of Parkside Country Store, told the Task Force that her

biggest problem with the law is the floor space she has to devote to taking back the bottles and cans and then storing them. **Ms. Verduce** has to take the containers back, "buy storage boxes for them at \$7 a piece and then move all the boxes into the garage on the weekend because the store is not large enough to keep them there."

Sorting containers was also a problem for Ms. Verduce and many smaller store owners who have not had the money to purchase expensive sorting machines. These individuals have to either do it themselves or hire employees to do the sorting. Either way, it is time consuming, expensive, and often a dangerous process. Dangers posed to employees were recounted in several pieces of testimony with a few examples of individuals who had to be treated for puncture wounds caused by sharp objects found in bags and containers.

Steve Beson, of Beson Markets in Bay City, talked about one of his employees having his hand pierced by a hypodermic needle. He then had to be tested for the AIDS virus. **Glen Minton**, from Carter Food Stores, told of a similar incident at one of the Carter Food Stores.

Food safety concerns were a dominant focus very early in the hearings. Comments on the need to invest in expensive sanitation services came from many store owners and operators. The need to guard against cross contamination was the biggest concern. "The dirtiest part of my store is in the bottle returns area, which is very close to the produce and meats section. We have had chewing tobacco, kerosene, and gasoline found in containers which shows that some of our customers are not washing out their containers," explained Jerry Rich, of Jerry's Freelance in Sandusky. Roger Boyd, then-President of Market House, testified at the Adrian Public Hearing that he has had a number of contaminants found regularly in his returnables and that in store returns conflict directly with food-safety laws.

The Task Force heard enough early concerns about food safety from retailers to ask that a presentation be given by the Department of Agriculture's Food Safety Division. **Jerry Wojtala** and **Katherine Fedder** told the Task Force that about

2 percent of those stores inspected in Michigan have received citations for some kind of noncritical violation, generally associated with pest attraction and transmission of pathogens. They also told the members that there were probably additional problems associated with general violations. The Task Force asked if a risk assessment had ever been conducted, and they replied that one had not but that the Food Safety Code allowed for the department to try and anticipate problems.

Costs also came from the need to implement expensive sorting equipment. Although the cost varied on the type of equipment purchased, the use of reverse vending machines was very popular in order to allow retailers to keep up with the volume of containers they take back. Many of those who purchased these machines were pleased with the results of reducing some employee exposure to health problems and reducing processing and sorting rates. There were, however, problems with the costs of maintaining the machines. Thom Welch, Hollywood Food Markets, estimated his cost for a reverse vending machine at \$17,000, which was expensive for his store. It was a necessity just to keep up with the number of containers, he asserted. Mike Lazarov, of Orchard Park Food Stores, estimated that his cost for reverse vending machines was between \$70,000 and \$80,000.

Fraudulent redemption and overredemption of containers were regular challenges as well.

"There are very high rates of unemployment in West Branch, and an expansion of the bottle bill will force me to reduce the number of employees I have hired."

—Mr. Griffin

Jim Krempetz, from Martin's Super Markets, testified at the Coldwater hearing that because his store is only three miles from the Indiana border, they have had significant problems with fraud and overredemption. According to his

calculations, "we receive about 131 percent of the number of containers that we sell, and we know that

there is something wrong, but when we try to conduct random audits on customers, they take personal offense, and, at times, their employees are even threatened by customers when they do catch fraudulent returns."

Victoria Buckley, of O.K. Distributors, noted that though reverse vending

machines are helping in some ways, they have contributed to the problem of fraudulent redemption because it is so much easier to process containers. **Ms. Buckley** cited figures from a 1998 study indicating illegal redemption costs between \$14 million and \$16 million in Michigan. Many other store owners cited similar concerns with overredemptions and explained that though the law gives them some protections against certain redemptions (must be free of residue and may be refused if in excess of \$25), they are often powerless to refuse containers. In the words of **Ms. Fetters**, "I have a lot of pride in my store, and I would never alienate a customer over a dirty container return."

Finally, there are also a variety of problems borne by distributors in Michigan. Rick Dionne, from Earl Smith Distributing, noted that an expansion of the law would cause changes in how the containers are picked up, requiring larger trucks and other modifications. Gary Davis, of Tom Davis and Sons Dairy, told the Task Force that though they are in the dairy business, they also distribute 138 different items to schools, hospitals, and universities. Mr. Davis mentioned that the disparity of the kinds of items presents problems and, in adding new containers, they "would have to devote more costs to separation and probably have to add more trucks."

At the Gaylord hearing, **Bob Griffin**, a soft drink, beer, pop, and wine distributor, relayed his concerns about increasing the costs of distribution

in northern Michigan. "There are very high rates of unemployment in West Branch, and an expansion of the bottle bill will force me to reduce the number of employees I have hired."

Findings

The Task Force finds that dealers and distributors have taken the responsibilities and requirements of the Beverage Container Law very seriously and should be commended for their efforts. The Task Force finds that numerous substantive changes need to be made to the current Beverage Container Law before any expansion can be considered. The law must be revised to address significant problems as presented at the hearings. More can certainly be done to ease the burden that dealers and distributors bear under the current law.

Recommendations

- 1. The Task Force recommends that a package of tax credits be made available to businesses that invest in floor space dedicated to redeeming containers and for investment in equipment necessary to process and store containers.
- 2. The Task Force recommends that the current language that authorizes retailers to refuse certain containers be moved to a prominent stand-alone section in the law and be revised to read as follows:
 - "A dealer or distributor may, but is not required to, refuse to accept from a person any returnable container that contains residue other than that of the original contents, or any container that is crushed or mutilated, or any container that presents an unacceptable health risk to the dealer, distributor or his or her customers or employees." (Underline portion indicates proposed change in statute.)

3. The Task Force recommends that the Michigan Department of Agriculture's Food Safety Division provide a biennial report to the Recycling Advisory Council on food safety violations caused by compliance with the Beverage Container Law. As part of this report, the division should attempt to conduct some type of risk analysis to determine the potential threat that a significant violation might pose to food stores.

In addition, the Task Force recommends that the Recycling Advisory Council shall also take such steps to assess other food safety and human health concerns with the current Beverage Container Law. The Task Force heard testimony of various health and safety problems in storage areas and in the use of grocery carts used for bottle transport and food carriage. The Task Force acknowledges that though these concerns may not always rise to the extent of an actual violation of food safety laws, they still may pose a potential health threat to those dealers and distributors and the customers they serve.

4. There should also be further information obtained on the potential to expand the bar code methods of identifying cans and bottles in order to distinguish one state's cans from another's. Bar code technology is making solid advancements, and many believe that manufacturers could add more information to bar codes to allow for greater examination of which bottles and cans are eligible for redemption.





THE BEVERAGE CONTAINER LAW AND OPPORTUNITIES FOR CHANGE

Structural and Funding-Related Modifications

SSUE

The Beverage Container Law has had a significant impact on litter control and has provided high recycling rates for certain items. Yet, it has placed a disproportionate burden on dealers and distributors who have had to implement the law. With the findings of the Task Force, it is apparent that there are opportunities to fine tune and improve the current Beverage Container Law. These structural changes can improve the current program to the benefit of the environment and the business community that has borne the burden of implementing the law.

BACKGROUND

As discussed previously in this report, the Beverage Container Law has provided effective litter control and has helped to maintain a high rate of recycling of beverage containers, leading most to agree that the use of a deposit to spur return is an effective approach.

There are, however, well documented problems with the law that other state and national programs have sidestepped with modified deposit-style approaches to recycling.

According to information supplied by the Legislative Service Bureau, Science and Technology Division:

"In 2002, the Businesses and Environmentalists Allied for Recycling (BEAR) published a study recommending ways to increase the amount of beverage containers recycled. In the report, it is noted that deposit systems have the highest level of recovery while curbside recycling programs

have the second highest level. However, traditional deposit programs also have the highest gross costs while curbside recycling programs have the second highest gross costs. The study emphasizes the need for a modified deposit/return system which does not require sorting of returned beverage containers by brand and provides for unclaimed bottle deposits to be used as a revenue source.

Some elements of a modified deposit/return system identified in the BEAR report include:

- A mandatory recovery goal of 80 percent;
- An incentive for consumers to return containers (such as a deposit);
- Several options for consumers to return containers (e.g., depots or centers, retail, curbside recycling, or recycling drop-off);
- Internalizing costs so that producers and participating consumers cover the full cost of the program (e.g., deposits and/or fees);
- Encourage recycling of recovered containers, preferably into new containers; and
- Market development.

Currently, California and the Canadian provinces of Alberta and British Columbia, have beverage container redemption laws that closely match the ideal program described in the BEAR report."

British Columbia, Alberta, and California's programs all began as litter control acts and eventually evolved into a program that incorporated a deposit-style approach along with the use of deposit revenue to help drive recycling programs available outside of food stores. These programs recognized the fundamental importance of an incentive to

return containers but were also cognizant of the need to develop a system that allowed for the use of regional or local redemption centers.

All three programs place great responsibility for managing the program on manufacturers of beverage containers. In British Columbia, the authority for the design and management of the program rests with the manufacturer. This program allows for the manufacturer to either design and implement their own program or to contract out for management with a third party. Three different entities are used to manage British Columbia's program. In Alberta, a Beverage Container Management Board consists of members of the public, redemption center operators, and manufacturers.

All three programs also allow for the use of depots or regional centers to return containers. Alberta expressly does not allow for containers to be returned to retail facilities. All three programs use some type of handling commission to be paid to those who agree to accept beverage containers. This incentive has fostered the creation of a series of redemption centers (also called depots) that provides for a convenient set of locations for consumers. In addition to depots, California's

"Bringing more bottles and cans into the stores is not the answer."

—Mr. Breslin

program incorporates a curbside program that allows consumers to place their redeemables at the curbside where they are collected and eventually redeemed by recycling programs.

Michigan law currently provides for the use of redemption centers in addition to the requirement that dealers accept beverage containers. However, that law does not allow for a dealer to opt out of this mandate.

Michigan's program for compensating dealers is found at MCLA 445.573c. In that law, the Bottle Deposit Fund (the amount paid to the Department of Treasury by underredeemers) is apportioned in the following manner: 75 percent to the Cleanup and Redevelopment Trust Fund (this portion of the fund is divided between the Cleanup and Redevelopment Fund (80 percent) and the Community Pollution Prevention Fund (20 percent)) and 25 percent to the dealers to be apportioned to each dealer based upon the number of empty returnable containers they handled. To gain access to this fund, a dealer must submit a form to the Department of Treasury no later than March 1 of each year. The Department of Treasury assesses the amount available in the fund and then sends payments out to each dealer in a proportional amount. According to some observers, this amount can be as little as one-tenth of 1 cent per container.

Some believe that the store traffic generated by people returning containers to a store helps to increase store revenues, but this claim is frequently disputed by dealers.

Testimony

The issue of needed change to the structure and funding of the Beverage Container Law was a popular one in the testimony. Dealers and distributors frequently cited the need to make changes to the way that beverage containers are returned. Jennifer Kluge, of the Michigan Food and Beverage Association, talked about the number of problems that stores have with being the only place to return beverage containers. "Bringing more bottles and cans into the stores is not the answer." Brian Breslin affirmed the role of grocers as those who are not suited to handling bottles by saying that "grocers are grocers, not bottle sorters."

Jim Krempetz, from Martin's Supermarkets, commented that his stores have had to make "significant investments in equipment and labor" and that he had to specifically obtain additional rental space to accommodate recycling equipment.

Mr. Krempetz also indicated that he had to install a ventilation system to control the odors.

Even individual citizens acknowledged the burden that this law has placed on grocery store owners. One person who ran his own nonfood business said he sympathized with the plight of food store owners because he saw all the space

"Michigan cannot put the entire burden on retailers who are going above and beyond the call of duty."

—Sister Erard

and storage problems presented by the law, and he knew how expensive it was to devote floor space to something other than normal store operations. **Sister Kathleen Erard**, a member of the Sisters of the Earth organization, told the Task Force at the Adrian hearing that "Michigan cannot put the entire burden on retailers who are going above and beyond the call of duty." She stated that the food store owners have endured "great injustice."

Others brought up an important point that the small to medium-sized stores often have to bear a disproportionate share of the redemption efforts because they have a tendency to be more frequently used than the larger stores. The smaller stores are often more conveniently located, and many times they have their redemption areas located in the front of the store, leading to increased convenience for the consumer. One such person who supported this notion was Bill Ogle, of VG's Food Center, who told the Task Force at the Port Huron public hearing that "there are many unforeseen impacts of the law and that it unduly hampers mid-size food markets because they get the majority of customers who are returning their beverage containers."

On the issue of adequate funding, **Brandon George**, of the Red Wagon Shoppe of Rochester Hills, called the Beverage Container Law "an unfunded mandate," and dealers have not

been "given one cent to comply with the law." **Steve Young**, of Big Top Market, shared his concerns by saying that "stores should get 5 cents per bottle for handling costs."

Supporting the idea that dealers, particularly the smaller retailers, should get more funding to cover their costs was **James Clift**, of the Michigan Environmental Council, — "I understand the concerns of smaller operations and recommend that more of the money be given to these small businesses to help cover their costs."

John Schmidt, Director of the Independent Food Retailers Association (IFRA), told the Task Force that he "grew up in the supermarket business and that the IFRA is certainly in favor of keeping the environment clean and safe," but that "the law has been unfair to supermarkets." Mr. Schmidt suggested to the Task Force that retailers need "some kind of fee to help cover their costs."

During discussion at the Saginaw public hearing between Senator Goschka, Representative Howell, and Greg Wagner, of the Kinney IGA Food stores, Senator Goschka asked about the need and amount of funding to fully compensate stores for their costs. In response, Mr. Wagner acknowledged that there was a substantial need, but he did not state a specific dollar amount. Representative Howell concurred by saying that a store's losses need to be compensated.

Finally, the issue of costs caused by overredemption came up over and over again, with many stores citing high overredemption rates. The size of the reimbursement from the dealer's portion of the Unclaimed Bottle Deposit Fund was generally regarded as insufficient to cover the impacts of over-redemption.

Glen Minton, from Carter Food Centers, cited a typical rate of 175 percent over-redemption (for every 100 containers sold, they redeem 175).

Roger Boyd, then-President of Market House Stores, claimed his stores over-redeem by 120 percent.

Findings

The Task Force finds that there must be both

structural and funding-related modifications to the Beverage Container Law. The mandated deposit system has real value in providing a consistent source of recyclables, but it places too much burden on dealers and distributors. The law must be amended to relieve this burden and create marketbased incentives to drive a more appropriate method for the collection of beverage containers. Ultimately, the Task Force would like to see a beverage container return system that is highly effective but relieves food stores of the undue burden of having to accept beverage containers.

3. It is further recommended that in developing the pilot program for a regional system of redemption centers that certain focuses be placed on the design of the system.

Maintaining the effectiveness of recycling of beverage containers must be a high priority. There should be an effort made to encourage partnerships between dealers and those who wish to run a redemption center, while

allowing nearby retailers to "opt out" of the requirement to accept beverage containers. Redemption centers could be made "user friendly" by allowing for the acceptance of other recyclables, and educational programs could be conducted on site to inform citizens of the importance of recycling. There is a great opportunity for the state to design such a system that instills pride in those communities that play host to a redemption center.

Recommendations

- 1. The Task Force recommends that, to relieve an undue burden on dealers and distributors who have borne the costly burden of implementing the Beverage Container Law, the Recycling Advisory Council should review the current apportionment of the Unclaimed Bottle Deposit Fund for redistribution. The aim of this review and redistribution should be to more fully compensate dealers and distributors for the costs that they are forced to incur under the current system.
- 2. The Task Force further recommends that the state direct a one-time appropriation from the Community Pollution Prevention Fund portion of the Unclaimed Bottle Deposit Fund to underwrite the costs of designing and implementing a pilot program for two regional redemption centers in suitable urban areas of the state.

4. The Task Force recommends that there be a separate sub-council of the proposed Recycling Advisory Council created to oversee the implementation of the pilot program for regional redemption centers and to continue to monitor the success of the state's Beverage Container Law. The sub-council members would consist of dealers and distributors, persons representing redemption centers, and members of the environmental community.





Is the Time Right to Expand and What Would It Mean?

ISSUE

There has been significant discussion over the question as to whether the Beverage Container Law should be expanded to include new items such as noncarbonated beverage containers. Any decision to expand the number of items under the Beverage Container Law must be evaluated under the potential for the system to accommodate expansion.

BACKGROUND

There are three definitions in the Beverage Container Law that are particularly relevant to the issue of expansion:

- The Beverage Container Law defines "Beverage" as a soft drink, soda water, carbonated natural or mineral water, or other nonalcoholic carbonated drink; beer, ale, or other malt drink of whatever alcoholic content; a mixed wine drink; or a mixed spirit drink.
- The law also defines "Beverage Container" as an airtight metal, glass, paper, or plastic container or a container composed of a combination of these materials, which, at the time of sale, contains one gallon or less of a beverage.
- "Returnable Container" means "a beverage container upon which a deposit of at least 10 cents has been paid, or is required to be paid upon the removal of the container from the sale or consumption area, and for which a refund of at least 10 cents in cash is payable by every dealer or distributor in this state of that beverage in beverage containers"

Dealers are currently required to accept from a person an empty returnable container of "any kind, size, and brand, sold or offered for sale by that dealer and pay to that person a full refund value in cash."

The issue of expansion of the kind of containers that are covered under the law has been a frequent topic of discussion in all 11 states that have bottle deposit laws. As noted by the Legislative Service Bureau, Science and Technology Division:

"When deposit laws were originally enacted in the late 1970s, several types of beverages did not exist. However, in the past five years, sales of beverages referred to as "new age" drinks have increased 150 percent (according to the Container Recycling Institute). New age drinks include fruit drinks, teas, sport drinks, and bottled water."

Michigan expanded its original Beverage Container Law to include wine coolers and mixed spirit bottles with the enactment of PA 235 in 1986. The law took effect in 1989 to provide adequate time for dealers and distributors to comply with the law.

Since that expansion, numerous legislative proposals have been introduced to expand the law to include the new-age containers referred to above. It is important to note that expansion of the deposit law would involve an entire new array of manufacturers and distributors not now involved with the current deposit law. Many of these are smaller companies and have no physical capacity to store or process containers returned to them.

Manufacturers of these items contract with many different distributors, and distributors in turn contract with many different stores. Retailers often shop around for the "best deal" on an item; therefore, a retailer could buy the same manufacturer's item from any number of different distributors during any given week or month. This potential for overlapping territories that change frequently (far different from the carbonated drink industry) would significantly increase the burden needed for retailers to be reimbursed the original dime paid to the distributor and have their returns removed from the retail stores.

Additionally, some distributors do not have the ability to pickup their containers from these stores because the product is delivered through regional grocery warehouses. Whole new container removal and transportation fleets would have to be created beyond the systems currently in place. Distributors would have to expand existing space (either on site or at a new location) to accommodate the returned containers.

The new containers that would be brought into the redemption system would include, with such an expansion of the program, multiple new materials and new container types, shapes, and sizes. This includes different plastics and metals and new materials such as coated papers, foils, and even multi-material containers. Unless kept completely separated from each other and from existing containers, these new materials could contaminate containers currently collected under law.

With expansion, retailers would have to separately store each of the new deposit items, separating items into categories by distributor/deposit originator, by material, and by size. This type of sorting would be necessary in order for the retailer to be reimbursed the 10-cent deposit from the distributor. Consequently, store space devoted to redemptions would have to be exponentially expanded and by a much greater amount than proportionally represented by the volume of new containers. Similarly, the distributors, including new transportation systems and fleets, would have to segregate the materials in the transport, processing, and storage of the new containers.

The relatively small proportion of stores (maybe 5 percent) that use reverse vending machines to assist in their redemptions would have similar increased costs since many of the new items could not be returned through the use of these machines and would, therefore, need to be hand sorted. If not hand sorted, expensive new equipment or retrofitting of existing equipment would be necessary. Accommodation for additional bins and storage for each new material would need to be provided along with additional space allotted for each of the new materials (no matter how

"The current situation is not much different than the opposition they faced in 1989 when wine coolers were added to the law."

—Mr. Fox

small in quantity compared to the current aluminum, plastic, and glass).

Expansion has been discussed in other deposit law states as well. Maine's bottle deposit law includes carbonated beverages, wine, and liquor and was expanded to include noncarbonated beverages. California's law was expanded to include noncarbonated beverages in 1999. Hawaii's law is the most recently enacted law of all 11 states with bottle deposit laws. It covers all types of beverage containers with the exception of dairy-related drinks and was signed into law in June of 2002. It will not be fully implemented until 2005.

It must be noted that these states all have redemption programs that provide alternative forms of redemption rather than simply relying upon dealers to take back the containers.

In addition to individual state action, a national bottle bill was introduced in 2001, by Senator Jeffords of Vermont. This marked the first time a national bottle bill had been introduced since 1992. The bill, as proposed, would place a 10-cent

deposit on both carbonated and noncarbonated beverages and mandates a system that would result in an 80 percent recycling rate for those containers. Hearings were held on the bill in 2002, but the legislation did not move out of committee.

Testimony

The public at large is very familiar with the call to expand Michigan's Beverage Container Law. This is due in large part to the numerous pieces of legislation that have been introduced and the frequency to which citizens are exposed to the law through their participation in the redemption process. It is a law that policymakers frequently reference because of its perceived positive impacts on litter control and recycling and its perceived negative impacts on dealers and distributors.

This specific focus on the impacts of the Beverage Container Law was one of the principal reasons that the Beverage Container and Recycling Task Force was created. Senate Majority Leader Ken Sikkema sensed a real need to hear the opinions of the people of the state — both individuals who return beverage containers and those dealers and distributors who have had to implement the law. It was his hope that the members of the Task Force would learn about the advantages and disadvantages of the law and then make reasoned recommendations on a number of issues, especially the issue of expanding the law to include other types of containers.

The public testimony in this regard did not disappoint the Task Force members. In fact, all were well-impressed with the quantity and quality of the testimony.

The Michigan United Conservation Clubs (MUCC) has been a long-time leading proponent of both the current Beverage Container Law and the expansion of the law to include "new-age" containers. Supplying testimony to that effect were both **Dennis Fox** (at the time, legislative policy analyst for MUCC) and **Sam Washington** (Executive Director of MUCC). **Mr. Fox** appeared at the hearing in Grand Rapids and told the Task Force that the MUCC is in favor of

expanding the law to include noncarbonated beverages in plastic, metal, or glass containers and that he knows that there are concerns, but they will work with industry to make these changes. **Mr. Fox** noted that "the current situation is not much different than the opposition they faced in 1989 when wine coolers were added to the law."

Mr. Washington was given the opportunity to provide expanded testimony at the hearing at Oakland University and told the Task Force that it was very important to the people in 1989 that the bottle bill be expanded and that it is just as important now. Mr. Washington said that "after four years of expanded versions of the law sitting in the Legislature, the people are ready for a more inclusive revision," and added that "many of the same arguments made against the original bill back in 1976 are being put up again." He concluded his testimony by noting that in his mind "a majority of people are in favor of expansion."

Written testimony on the issue of expansion was substantial. Some examples of both letters and emails supporting expansion are as follows:

Steve Leuty, Kalamazoo County's recycling coordinator, wrote that he would like to see the bottle deposit law expanded to include water,

"Even though lobbyists vote, remember that we also vote as citizens."

—Mr. Matazel

juice, tea, and other new-age containers and that he believes that the expansion would enjoy as much success as the original law.

J. Matazel, a private citizen from Three Rivers, believes that the law should be expanded and that the Task Force should "not let the bottling people and stores stop this law from being expanded." He also reminded the Task Force "even though lobbyists vote, remember that we also vote as citizens."

Marcia Ohpps, another private citizen, urged Senator Brown to work to expand the law and could not imagine why it has taken so long to be considered.

Mary Waterstone, Circuit Court Judge from Detroit, wrote the Task Force that "the expansion would help clean up our state and save trash collection dollars for local and state communities."

D. and M. Schulze, private citizens, not only supported an expansion of the state law but conveyed their written support for a nationwide bottle deposit law.

The Task Force was also presented with equally compelling testimony on why the law should not be expanded, most related to either the impacts on dealers and distributors or on the need for a more comprehensive statewide recycling program.

Nick Kelble, General Manager of Country Fresh in Grand Rapids, opposed expansion for three main reasons. Mr. Kelble believes that "comprehensive litter control programs are more effective than deposit laws. The current law is not helping Michigan's recycling effort, and there are sanitation concerns of having food next to trash."

Ron Cox, of D and W Food Centers, expressed three concerns as well —"the sheer volume of containers would present tough logistical problems, costs to the retailers are ultimately passed on to the consumer, and sanitation is a major issue."

During the hearing at Oakland University, **Troy Flanagan** testified on behalf of the International Bottled Water Association and told the Task Force that "there is a better option than expanding the bottle bill, which captures only 5 percent of the waste stream. In addition, the bureaucracy of expansion is inefficient, and costs are passed on to consumers."

John Hallman and Chris Brown, from Kroger Food Stores, told the Task Force that overredemption is already a problem for their stores and that "the average Kroger store receives two semi-truck loads of empty containers each week." They believe that having so many containers for

redemption results in a "less enjoyable trip to the grocery store for customers with time constraints." Finally, **Mr. Hallman** found that the law has already made it difficult to comply with safety standards, and expansion would worsen this situation.

Rick Dionne, of the Earl Smith Distribution Company, told the Task Force that most distributors would not be prepared to pickup the new containers and that as a result, other products that they carried might have to be dropped from their distribution route.

"The current deposit law has taken the trash off Michigan's roads and put it in the backroom of my store."

-Mr. Miller

Brandon George, of the Red Wagon Shoppe, stated that his store carries a wide variety of wine, beer, and liquor but that his store is relatively small. "I implore the Task Force to consider how expansion would impact the small retailer and how you would feel if the government told you that you had to expand without giving you one cent in funding to comply." Mr. George continued by saying that his store will face "major space issues and may have to reduce or eliminate the number of brands they carry."

Many who testified in opposition to expansion used a cost-benefit-analysis approach to evaluate the alternatives. **Martin Seaman**, of Oakland County, stressed this approach by saying "the state's mission needs to be to find the lowest cost system to recycle, rather than just shifting costs between entities."

Bill Lobenherz, of the Michigan Soft Drink Association, told the Task Force at several of the hearings that the expansion of the law would mean about \$60 million more new costs to the citizens of the state and that "if the state is going to invest this amount per year for recycling and litter control, it should be invested in the most cost-effective means possible." Mr. Lobenherz noted that recycling on a comprehensive basis would get the most material for the least amount of money. He concluded by saying that an expanded bottle bill would not be an effective way to boost recycling.

Jeff Miller, owner of George's Market, appeared at the Adrian public hearing and told the Task Force bluntly that "the current deposit law has taken the trash off Michigan's roads and put it in the backroom of my store." He noted a host of costs carried by the stores and that rather than any new items being added to the law, that an additional "nickel be added to the deposit and let the stores keep it to cover their costs."

There were also numerous opponents to expansion who chose to send in their comments in written form. A sampling of their comments includes:

Tish Berent, a private citizen from Birmingham, wrote in to say that she does not want to see expansion because she feels that it would be penalizing the citizens and the stores with added hassle.

Dave Tutorow lives in Indiana but has retail connections in Michigan and urged lawmakers to find a better way of recycling bottles and cans. He recommends curbside recycling instead of the deposit law.

Kathy Merryman, from Jenison, does not want to see an expansion of the law and the state should change the return system by building recycling centers or having curbside pickup programs.

Findings

The Task Force finds that although there is support among the populous for expanding the system to noncarbonated beverage containers, the current system cannot support any expansion at this time. The system must first be fixed to provide a more stable foundation before expansion can be advanced.

Adding new containers would add new responsibilities and related costs for dealers. It would also disrupt and complicate the existing distribution system by requiring the addition of new systems, new storage, new transportation, and new materials processing configurations. Adding new containers would ultimately drive up the recycling costs for the entire system of redemption under the law due to the higher incremental costs required by these new containers.

Recommendations

- 1. The Task Force supports the need to recycle the new-age containers mentioned so often by those who provided testimony at the hearing, but only after the other structural and funding recommendations mentioned in this report have been implemented to provide for a smoother functioning system capable of handling an increase in recycled containers. The Task Force recommends that the Recycling Advisory Council monitor the improvements made once these changes have been implemented and provide a report outlining their recommendations for adding new containers. These recommendations must also take into account improvements made in the state's overall recycling program recommended in this report, as an expanded recycling program may address the concerns for litter control and recycling mentioned by advocates of expansion of the Beverage Container Law.
- 2. The Task Force, therefore, recommends that the Beverage Container Law not be expanded to include any additional containers at this time, due to the belief that the current system places too many burdens on dealers and distributors the need to be remediated before implementing any significant expansion. Structural changes must precede the state's adoption of an expansion program in order to stabilize the system prior to handling new items.



The findings and proposals presented in this report of the Beverage Container and Recycling Task Force provide a framework for the development of a more comprehensive public policy on statewide recycling for 21st century Michigan. While some of the recommendations proposed herein are general in nature, the report does provide a substantive issues analysis with reasoned suggestions for change that if properly translated into legislative action, will avoid incomplete answers to complex issues and lay the groundwork for success for decades to come.

The need for laying the groundwork for effective and responsible public policy is especially imperative regarding the discussion of expanding Michigan's Beverage Container Law. While the Task Force findings are sympathetic to the inherent

stewardship value of preventing new-age littering along the highways and byways of Michigan's landscape, it has been made keenly aware of the shortcomings of the current law. The Task Force concludes that expansion of the bottle bill at all costs, without remedial attention to the existing law, would prove counterproductive, adding more problems to a program in need of repair.

The Task Force findings propose a methodology for addressing litter reduction while at the same time providing an effective and more equitable infrastructure from which to launch future decisions regarding expansion of the current law. Equally important, proposals presented in this report can help to create consensus and a cooperative spirit from which to build an effective new direction for comprehensive statewide recycling.